

SURFACE USE AND OPERATIONS PLAN
HNG OIL COMPANY
GRYNBERG FEDERAL COM "11" WELL, #1
EDDY COUNTY, NEW MEXICO

RECEIVED
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U.S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

The following information and plans are submitted for the drilling of the subject well as directed in the NIT-6 publication.

1. The proposed location is approximately 19 miles due south of Carlsbad, New Mexico. Go south on the Old Caverns road until pavement ends and continue south on caliche road known as the Forebards Crossing road. Cross the Black River and continue south for approximately 5-3/4 miles to Hanson Oil Corporation lease road into their H-11 Federal #1. Go west for one mile and then north past their walls to the proposed location. See Exhibit #1.
2. The proposed access road will be an extension of Hanson Oil Corporation lease road due south of the HNC location. Hanson has permitted a location 3950' due south of our location. Hanson is also proposing to drill a shallow test in the same section as our deep test. This location would only be 1650' south of us. We have contacted Hanson and have received permission to use their lease roads. Therefore, it is anticipated the proposed access road will be approximately 1650' over a gradual rolling terrain. This road will require grading and a caliche base added. It will be 12' wide, with one turnout proposed. There will be no fences to cross.

In the event Hanson does not drill its well as planned, a revised access road plan will be filed. See Exhibit #2.

3. Location of existing wells are shown on Exhibit #3.
4. There are no production facilities on this lease at the present time. If production is established, a production unit will be set at the well site. HNG Oil Company does not have any production, gathering or service lines within a one mile radius of the proposed location.
5. The water used in the drilling operations will be purchased from a commercial source. There are no plans to attempt to drill for water on the lease. The purchased water will be trucked to the location, using the existing and proposed roads.
6. The proposed access road of 1650' will require only grading and caliche base added. The proposed drill site contains some caliche and when the location is cleared, leveled, and the mud pits dug, this material can be utilized on the proposed access road and drilling site. If additional caliche is required, there is an existing open caliche pit approximately 4 miles north of the well site.
7. Waste material, including drill cuttings, trash, sewage, garbage, chemicals, etc., will be collected in earthen pits and back-filled upon completion of drilling operations. Drilling fluids, oil and/or water will be accumulated in lined reserve pits and will be either recovered or allowed to evaporate. Upon completion of operations, and evacuation or recovery, the pits will be back-filled and leveled burying all residue left in the pits.