

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Merit Energy Company
Sundance Federal Well #3
660' FEL and 660' FNL
Area A Section 5-T24S-R31E
Eddy County, New Mexico

This plan is submitted with a Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of BLM map showing the well and roads in the vicinity for the proposed location. The proposed well site is located approximately 21 miles east of Loving, New Mexico and the access route to the location is indicated in Blue and Red on Exhibit A.

2. DIRECTIONS:

Go Southeast of Carlsbad, New Mexico on Highway 285 towards Pecos, Texas approximately 9 miles. Turn left(East) onto Highway 31 for 10 miles to Highway 128. Go right for 13 1/2 miles to lease road. Turn right(South) and go approximately 2 1/2 miles through cattle guard. From cattle guard go South approximately 775 feet to new road access on your right (West) then 660 feet to new well site.

3. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 600 feet in length from the point of origin to the Southeast edge of the drilling pad the road will lie in a westerly direction.
- B. The new road will be 12 feet in width (driving surface) and will be adequately drained to control run-off and soil erosion.
- C. The new road will be bladed with a drainage on one side.
- D. The route to location is visible.

4. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit F shows existing wells within a one-mile radius of the proposed well site.

5. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive gas.

6. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh and brine water system. The water will be obtained from commercial