

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Merit Energy Company
Sundance Federal Well #14
660' FWL and 1980' FSL
Unit L 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 4000 feet to new road access on your right (west) then 4000 feet to new well site.

3. PLANNED ACCESS ROAD:

- The proposed new access will be approximately 1300 feet in length from the point of origin to the Southeast edge of the drilling pad the road will lie in an easterly direction.
- The new road will be 12 feet in width (driving surface) and will be adequately drained to control run-off and soil erosion.
- The new road will be bladed with a drainage on both sides. One traffic turnout will be built and a cattle guard will be installed on fence line.
- The route to location is visible.
- Also, a road will be built from the northeast corner of pad to our #7 well for access. Road constructed same as above.

4. LOCATION OF EXISTING WELL:

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

5. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- There are production facilities on this lease at the present time.
- In the event that the well is productive the necessary flowline will be laid along road right-of-ways following the east road to production facility on lease Sundance Federal Central Tank Battery (2000' FNL and 50' FWL Section 4-T24S-R31E NM #031963). SDR 11 poly pipe will be used for flowline. See green line exhibit E