

Penroc Oil Corporation
Ross Draw Unit #8
Eddy County, New Mexico

SURFACE USE AND OPERATIONS PLAN

RECEIVED
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U.S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

1. Existing Roads:

The proposed route to the location that will normally be used during operations is to be seen on Exhibit "A". Commencing from the town of Malaga, New Mexico, proceed south on U. S. Highway 285 approximately 12 miles then turn left, or east-northeast, and go 3 miles to El Paso Natural Gas Company plant on all weather road. Go on through the plant area, cross the Pecos River at a low water crossing and proceed due east along a wide caliche road for approximately 2-3/4 miles. (The access road from U. S. 285 is shown in red.) Turn south onto a county maintained, generally all-weather road at a small sign that indicates Gulf Federal No. 1. Proceed generally south-southeast for approximately 6 miles to the south line of Section 31, T-26-S, R-30-E. (This road is also shown in red color.) At this point turn due east down an old pipeline right-of-way road for approximately 2.7 miles and arrive at the site of Penroc's Ross Draw Unit No. 5 well which was drilled to 16,326 feet. The proposed location is to be immediately west of the No. 5 well at a distance of 1320 feet.

Necessary improvements to the access road indicated in blue will be discussed under Item No. 2.

2. Planned Access Roads:

It is planned to depart from the north-south road between Williamson's No. 1 and No. 4 wells at a point opposite Penroc's No. 5 Ross Draw Unit and traverse westward a distance of 1320 feet to the proposed location. The new road is indicated by an orange line on Exhibit "B". It will be constructed according to normal oil field practice and surfaced with compacted caliche and gravel.

3. Location of Existing Wells:

Refer to Exhibit "B". Wells indicated by blue color.

4. Location of Tank Batteries, Production Facilities, and Production, Gathering and Service Lines:

This Operator does not own or control any facilities of any nature at this proposed location.

However there exists a pump jack on Williamson et al No. 4 well in the NW/4 Section 27 and a 210 barrel oil tank is positioned immediately west of the wellhead on the west edge of the pad. Line heaters and separators are located on the pads of wells No. 1 (SW/4 Section 27); No. 2 (W/2 of Section 34); and No. 4 (NW/4 Section 27). All flow lines are on the surface.

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El Paso Natural Gas Company has gathering facilities for the three Williamson wells which primarily are located between wells No. 1 and 2 and are fenced. A buried gas gathering line is located parallel and immediately adjacent to the north-south road between Williamson's No. 1 and 4 wells. After the proposed well is drilled, all pits will be cut, covered and leveled and all debris removed. If a dry-hole is encountered, the pad and roads will be re-stored according to prescribed regulations.

5. Location and Type of Water Supply:

All water for drilling purposes (fresh and brine) will be hauled by tank truck from nearest commercial sources.

6. Source of Construction Materials:

Caliche and gravel to be obtained at same source utilized in building roads and location for Penroc's No. 5 and No. 6 Ross Draw Unit wells. Location of source in the SW/4 Section 27.

7. Methods for Handling Waste Disposal:

In addition to reserve pits, disposal pits will be dug adequately deep in order that all waste and garbage can be covered by not less than 24 inches of overburden.

Reusable drilling fluids, if any, will be tanked and sold or used in other wells.

Test tank facilities will be utilized to capture any produced oil or water recovered during testing operations.

8. Ancillary Facilities:

No camps or landing strips planned.

9. Well Site Layout:

Refer to Exhibit "C".

10. Plans for Restoration of the Surface:

If a producing well, the procedure mentioned in Item 4 will be followed to cut, cover, and level all pits and carefully remove all debris.

In the event of a dry hole, the same procedure would be followed, plus doing work required to fulfill all regulations.

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11. Other Information:

The area varies from gently rolling to quite hilly and uneven terrain. Several draws and gullies incise the surface following the drainage patterns. Quaternary gravels are most prevalent particularly on the hills and slopes with soil of a clayey to gyp nature in the lower areas.

Vegetation is that adapted to arid regions and sparse. Very little grass is present.

Mostly all ranch country that supports a very limited number of cattle.

No surface problems exist to interfere with this proposed lateral road and location.

12. Lessee's or Operators's Representative:

Sterling J. Talley - Penroc Oil Corporation
P. O. Drawer 831
Midland, Texas 79702

Phone: (915) 683-1861

13. Certification:

See attached statement.