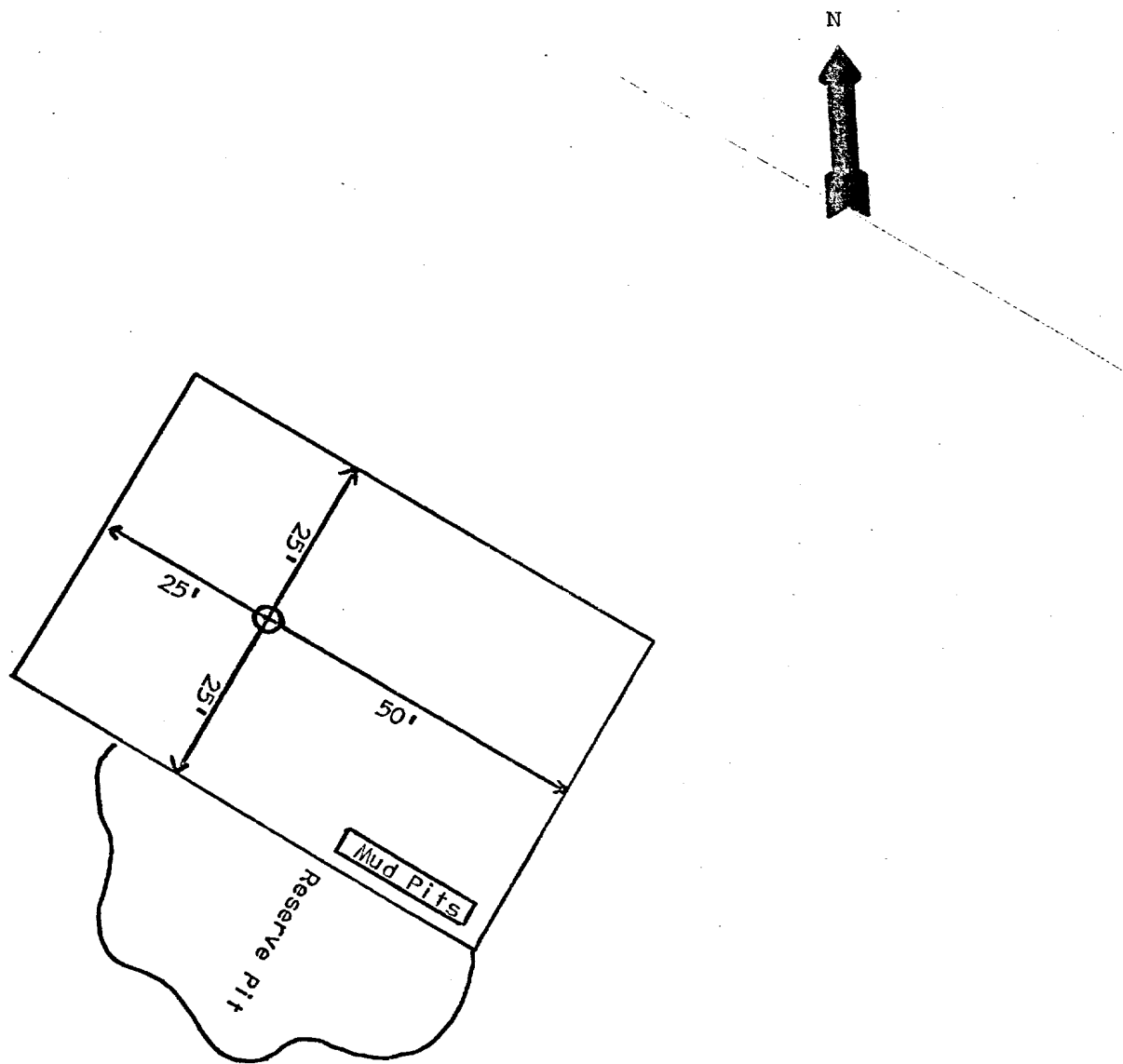


Producing Royalties, Inc.

Payne #2-A

Location Layout



Producing Royalties, Inc.

1. Existing roads and existing wells are shown on attached plat.
2. Planned access from existing road approximately 325' to new location. Will leave natural grass and small vegetation on roadway. Will remove large brush or trees from road. Do not plan to make road grade or bar ditches. Will bottom-out any arroyo we cross and not install culverts.
3. Location of well: 1800' FNL - 800' FWL
 Section 12, T29N, R12W
 San Juan County, New Mexico
4. No additional well(s) planned on this lease at this time.
5. Separator and flow line will be located within 50' of wellhead.
6. Water will be secured from San Juan.
7. Waste materials will be buried on location or in reserve pit.
8. No permanent camp is planned; trailer house will be used on location while drilling.
9. Do not plan to build airstrip.
0. See attached plat for proposed location layout.
1. A general description of the topography, soil characteristics, geologic features, flora and fauna; other surface-use activities and surface ownership of involved lands, proximity of water, occupied dwellings, archeological, historical or cultural sites can be found in the archeologist's report.
2. Geologic name of surface formation: Unconsolidated
3. Estimated tops of important geologic markers:
Ojo Alamo - 500' Kirtland - 650' Fruitland - 1630' Pictured Cliffs - 1875'
4. Estimated depths of anticipated water, oil, gas, or other mineral bearing formations which are expected to be encountered: Water in Ojo Alamo - 500'
 Gas in Fruitland - 1630' Gas in Pictured Cliffs - 1875'
5. We do not anticipate to encounter any abnormal pressures or temperatures or any potential hazards such as those associated with hydrogen sulfide.
6. Will clean up location, fill and level pits, level ruts in road, reseed location and road with Seed Mixture #2 and paint equipment with Evergreen.
7. Operator's Representative:
Thomas A. Dugan
Box 234
Farmington, NM 87401
8. Certification: The following statement must be signed by the lessee's or operator's field representative who is identified in Item #17 of the Plan:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this Plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Producing Royalties, Inc. and its contractors and subcontractors in conformity with this Plan and the terms and conditions under which it is approved.

Date: 3-16-78

Thomas A. Dugan
Agent

