

SDX Resources, Inc.  
Desert Rose Federal 1H  
SHL: 190' FSL & 467' FWL  
BHL: 330' FNL & 467' FWL  
Sec. 17, T. 20 S., R. 35 E., Lea County, NM

SURFACE PLAN PAGE 1

HOBBS OCD

DEC 03 2015

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Surface Use Plan

1. ROAD DIRECTIONS & DESCRIPTIONS (See MAPS 1 - 4)

From the Hobbs Airport....

Go West 18-1/2 miles on US 62/180 to County Road 27A (aka, Marathon Road)

Then turn left and go South 5.6 miles on paved County Road 27A

Then turn left and go East 1.7 miles on a caliche road to a T-junction

Then turn left and go North 0.3 mile on a caliche road

Then bear right and go Northeast 1.3 miles on a caliche road

Then turn left and go North 0.2 mile on a caliche road

Then turn left and go West 0.8 mile on a caliche road directly onto the pad

Roads will be maintained to a standard at least equal to or better than their present condition.

2. ROAD TO BE BUILT OR UPGRADED (MAP 4)

No new road is needed. The pad overlaps an existing caliche road. Existing road upgrading will consist of fixing potholes with caliche.

3. EXISTING WELLS (See MAP 5)

Existing oil, disposal, and P & A wells are within a mile. There are no gas, water, or injection wells within a mile radius.

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#### 4. PROPOSED PRODUCTION FACILITIES (See MAP 6)

A tank battery will be installed on the north side of the pad. Two 500 barrel water tanks, three 500 barrel oil tanks, heater-treater, separator, and free water knockout will be included.

#### 5. WATER SUPPLY

Water will be trucked from Berry's water station on private land in 2-21s-33e.

#### 6. CONSTRUCTION MATERIALS & METHODS

NM One Call (1-800-321-ALERT) will be notified before construction starts. The topsoil and brush will be stockpiled north of the pad. V door will be to the east. A closed loop drilling system will be used. Caliche will be bought and hauled from an existing approved caliche pit. Dirt contractor will be responsible for caliche.

#### 7. WASTE DISPOSAL

All trash will be placed in a portable trash cage. It will be hauled to a county landfill. There will be no trash burning. Contents of the mud tanks (cuttings, chemicals, salt) will be hauled to state approved disposal sites. Human waste will be disposed of in chemical toilets and hauled to an approved dump station.

#### 8. ANCILLARY FACILITIES

There will be no airstrip or camp. Camper trailers will be on location for the company man, tool pusher, or mud logger.

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#### 9. WELL SITE LAYOUT

See rig layout for depictions of the well pad, trash cage, access onto the location, parking, living facilities, and rig orientation.

#### 10. RECLAMATION

Interim reclamation will consist of removing caliche from the north and south sides of the pad. Those areas (0.92 acre each) will be contoured to a natural shape and no steeper than 3:1. Soil and brush will be evenly spread over disturbed areas. Seeded areas will be ripped or harrowed. A BLM approved seed mix will be sown in a BLM approved manner. Enough stockpiled topsoil will be retained to cover the remainder of the pad when the well is plugged. This will leave half the pad in use. After the well is plugged, then the remaining 1.83 acres of the pad will be similarly reclaimed. Noxious weeds will be controlled.

#### 11. SURFACE OWNER

All pad construction (Sections 17 & 20) is on land owned by Aileen Sims, P. O. Box 1046, Eunice, NM 88231). All access after leaving County Road 27A is on land owned by Ms. Sims or S & S Inc. The latter has the same address as Ms. Sims.

#### 12. OTHER INFORMATION

On site inspection was held with Trishia Bad Bear (BLM) on November 24, 2014.

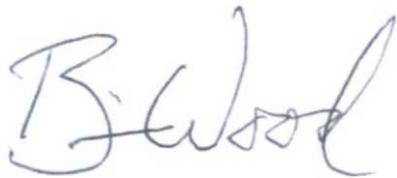
Lone Mountain filed archaeology report NMCRIS 132104 on November 12, 2013.

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CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U. S. C. 1001 for the filing of false statements. Executed this 21st day of April, 2015.



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Brian Wood, Consultant  
Permits West, Inc.  
37 Verano Loop, Santa Fe, NM 87508  
(505) 466-8120      FAX: (505) 466-9682      Cellular: (505) 699-2276

Field representative will be:  
John Pool, Vice President of SDX Resources, Inc.  
(432) 685-1781

**SDX RESOURCES, INC.**

**P.O. Box 5061**

**Midland, Texas 79704**

*Phone: 432-685-1761 Fax: 432-685-0533*

*Toll Free: 1-800-344-1761*

*jpool@sdxresources.com*

October 31, 2014

TO: Carlsbad Bureau of Land Management  
620 E. Green St.  
Carlsbad, NM 88220

RE: Permits West, Inc. - Authorization

To Whom It May Concern:

By this letter, we are authorizing employees of Permits West, Inc. to represent SDX Resources, Inc. in our company's dealings with all BLM offices, including but not limited to, filing all government paperwork such as Notices of Staking, Applications for Permits to Drill, Sundry Notices, Rights of Way Applications, and the like.

Please contact me at the letterhead address with any questions or comments.

Thank you for your prompt attention in this matter.

Best Regards,

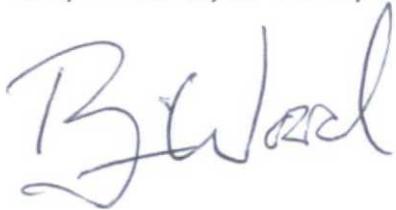


John Pool  
Partner

April 21, 2015

To Whom it May Concern:

SDX Resources, Inc. has a private surface owner agreement with Aileen Sims and S & S Inc. (both P. O. Box 1046, Eunice NM 88231) for the Desert Rose Federal 1H well site and road in Section 24, T. 20 S., R. 34 E. and Sections 17, 19, & 20, T. 20 S., R. 35 E., all Lea County, NM.

A handwritten signature in black ink that reads "B Wood". The signature is written in a cursive, flowing style.

Brian Wood