

**SURFACE USE PLAN OF OPERATIONS**

Clayton Williams Energy, Inc.  
Phillips 19 Federal Lease  
Well # 23  
Section 19  
T-17-S, R-29-E, NMPM, Eddy County, New Mexico

**1. Existing Access Roads**

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit 4. It was staked by John West Surveying Company, Hobbs, NM.
- B. All existing roads to the location are shown in the topographic map (Exhibit 2) and/or the plan of development (POD) plat (Exhibit 6). The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to Location:

From the intersection of Highway 82 and County Road 211 (Old Loco Road), go north on CR 211 approximately 0.4 mile. Turn left and go west approximately 0.8 mile. Turn right and go north approximately 0.1 mile. Veer left and go northwest approximately 0.2 mile. Veer right and go north approximately 0.1 mile to a proposed road survey. Follow road survey northwest approximately 500 feet to the location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

**2. Proposed Access Road:**

The elevation plat (Exhibit 4) shows that 373 feet of new road will be required for this location, to be constructed from a point on the existing lease road as indicated on Exhibits 2 and/or 6. Any new road that is required will be constructed as follows:

- A. The maximum width of the running surface will be 14 feet. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or from a private source.

**3. Locations of Existing Wells:**

Exhibit 5 shows all existing wells within a one-mile radius of this well.

**4. Location of Existing and/or Proposed Facilities:**

- A. Clayton Williams Energy, Inc. ("CWEI") will use its existing production facility located on the surface of Section 19, as shown in Exhibit 6. If the well is productive, contemplated facilities will be as follows:

- 1) Production will be sent to the existing production facility described in "A" above.
- 2) Additions, if needed, to the existing tank battery and facilities including any piping will be installed according to API specifications.
- 3) Any additional caliche will be obtained from a BLM-approved caliche pit or from a private source. Any additional construction materials will be purchased from contractors.
- 4) 473' of flow line will be constructed to this well from the existing tank battery and will be laid alongside the access road and/or existing flow lines. The flow line will be constructed of a 4" SDR11 poly line which will be laid on the surface. The proposed route is shown in red on Exhibit 6. Flow lines will be kept at least 3' apart.
- 5) Electric service will be provided from a power line owned by Central Valley Electric Cooperative, Inc., which will be responsible for ROW and construction. Power lines will be constructed alongside access roads existing at the time of construction. The existing and proposed access roads are included in Exhibit 6.
- 6) Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown on the Plan of Development map. If a commercial fresh water source is nearby, temporary "fast line" may be laid alongside access roads existing at the time the line is laid and fresh water pumped to the well. No water well will be drilled on the location.

**6. Source of Construction Materials:**

All caliche required for construction of the drill pad and proposed new access road (approximately 1833 cubic yards) will be obtained from a BLM-approved caliche pit or from a private source.

**7. Methods of Handling Waste:**

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in rolloff style mud boxes and taken to an NMOCD-approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD-approved commercial disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole, only a dry hole marker will remain.

**8. Ancillary Facilities:**

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

**9. Well Site Layout:**

- A. The drill pad layout, with elevations staked by John West Surveying Company, is shown in Exhibit 4. Dimensions of the pad, including the closed loop mud system, are shown on Exhibit 8. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level, no major cuts will be required.
- B. Exhibit 8 also shows the proposed orientation of the closed loop mud system, and access road. No permanent living facilities are planned; however, a temporary foreman/toolpusher trailer and crew quarters trailers will be on location during the drilling operations.

**10. Plans for Restoration of the Surface:**

- A. If the well is found to be non-commercial upon completion of the drilling and/or completion operations, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling

locations in the area. The road will be reclaimed as directed by the BLM. The original top soil will be returned to the pad and contoured, as close as possible to the original topography, and reseeded as per BLM specifications.

- B. Upon completion of drilling and completion operations, the well pad will be reduced to a size suitable for continued operations, including workovers and other well servicing activities. The pad will be scraped such that the only portion of the pad remaining will be: (i) the area inside the anchors; and (ii) an area outside the anchors 50 feet in width. The caliche removed during the scraping operation will be stockpiled and either saved for use on future roads or pads, or returned to the pit from which it was originally removed.

**11. Surface Ownership:**

- A. The surface at this location is owned by the Federal government. The minerals are owned by the Federal government and are administered by the Bureau of Land Management. The surface has multiple uses, which are primarily grazing of livestock and the production of oil and gas.

- B. The surface tenant for this site is:

Bogle Ltd.  
P.O. Box 460  
Dexter, NM 88231-0460

- C. The proposed road routes and surface location will be restored as directed by the BLM.

**12. Other Information:**

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within two (2) miles of this location.
- D. This project is being administered by a MOA with the Carlsbad, New Mexico Bureau of Land Management office.

**13. Bond Coverage:**

Bond Coverage is Nationwide Bond # NM 2787.

**14. Lessee's and Operator's Representative:**

The CWEI representatives responsible for assuring compliance with the surface use plan are as follows:

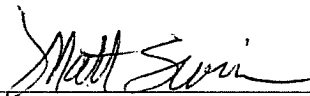
John F. Kennedy  
Drilling Manager  
Suite 3000, 6 Desta Drive  
Midland, Texas 79705  
(432) 682-6324

Matt Swierc  
Production Superintendent  
Suite 3000, 6 Desta Drive  
Midland, Texas 79705  
(432) 682-6324

### **CERTIFICATION**

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently 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 Clayton Williams Energy, Inc., 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 19<sup>th</sup> day of May, 2010.

Signed: 

Printed Name: Matt Swierc

Position: Production Superintendent

Address: Suite 3000, 6 Desta Drive, Midland, Texas 79705

Telephone: (432) 682-6324

Field Representative (if not above signatory): Mike Langford, Sierra Engineering

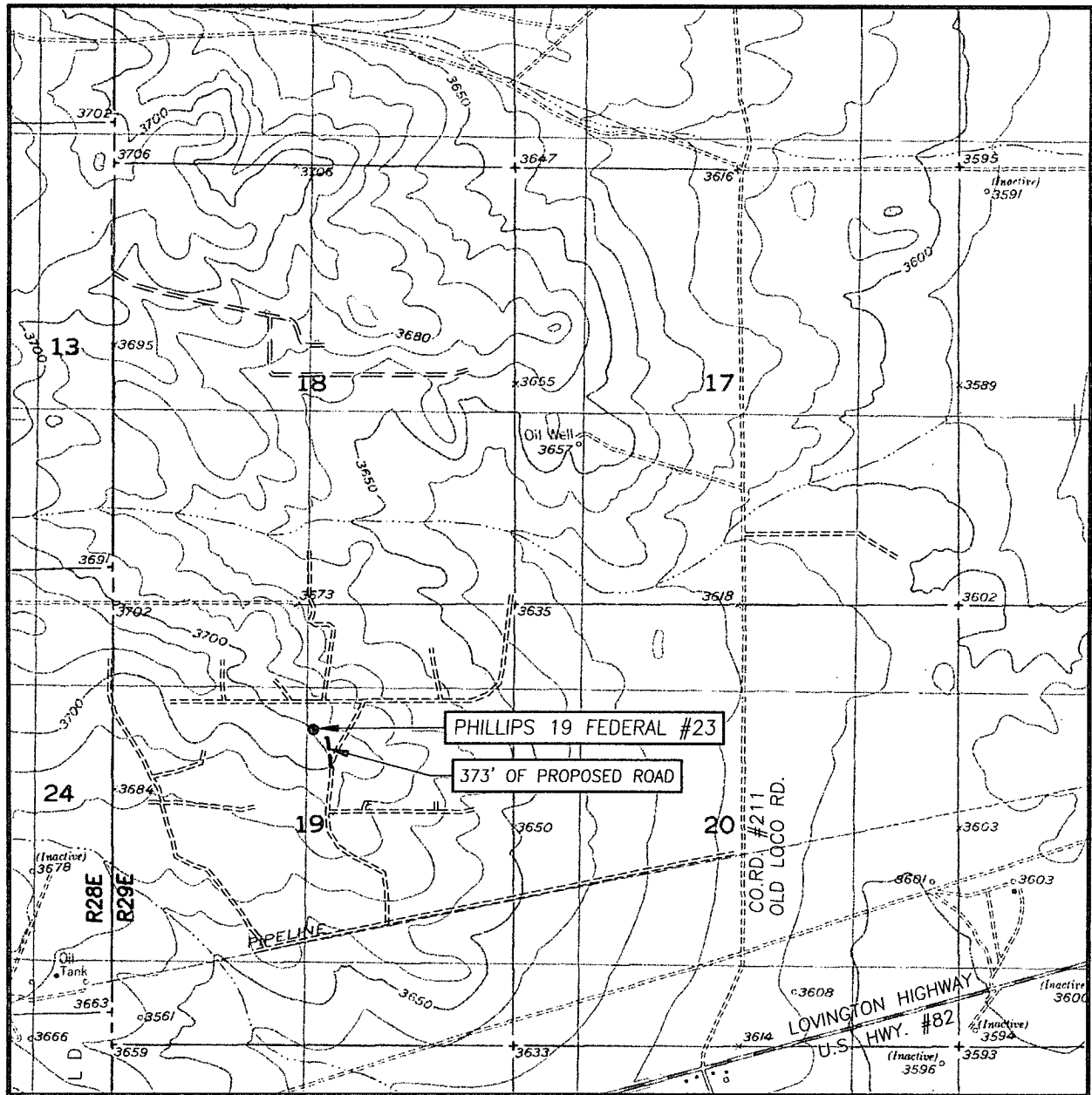
E-mail: MSwierc@claytonwilliams.com

## **EXHIBITS AND ATTACHMENTS**

<b>Exhibit 1</b>	<b>Plat Page (Form C-102)</b>
<b>Exhibit 2</b>	<b>Topographic Map</b>
<b>Exhibit 3</b>	<b>Vicinity Map and Area Roads</b>
<b>Exhibit 4</b>	<b>Elevation Plat</b>
<b>Exhibit 5</b>	<b>Ownership Map with Well Location and Wells in 1-mile Radius</b>
<b>Exhibit 6</b>	<b>Plan of Development (Roads, Flow Lines, Power Lines and Tank Battery)</b>
<b>Exhibit 7</b>	<b>Drilling Plan</b>
<b>Exhibit 8</b>	<b>Rig Layout</b>
<b>Exhibit 9</b>	<b>BOP, Choke Manifold and Closed Loop Schematics</b>
<b>Exhibit 10</b>	<b>C-144 CLEZ, Closed Loop System Permit Application</b>
<b>Exhibit 11</b>	<b>H2S Plan</b>
<b>Exhibit 12</b>	<b>Surface Use Plan of Operations and Operator Certification</b>

# EXHIBIT 2

## LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
RED LAKE SE, N.M. - 10'

SEC. 19 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

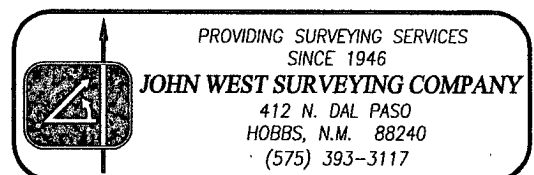
DESCRIPTION 1475' FNL & 2415' FEL

ELEVATION 3699'

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 19 FEDERAL

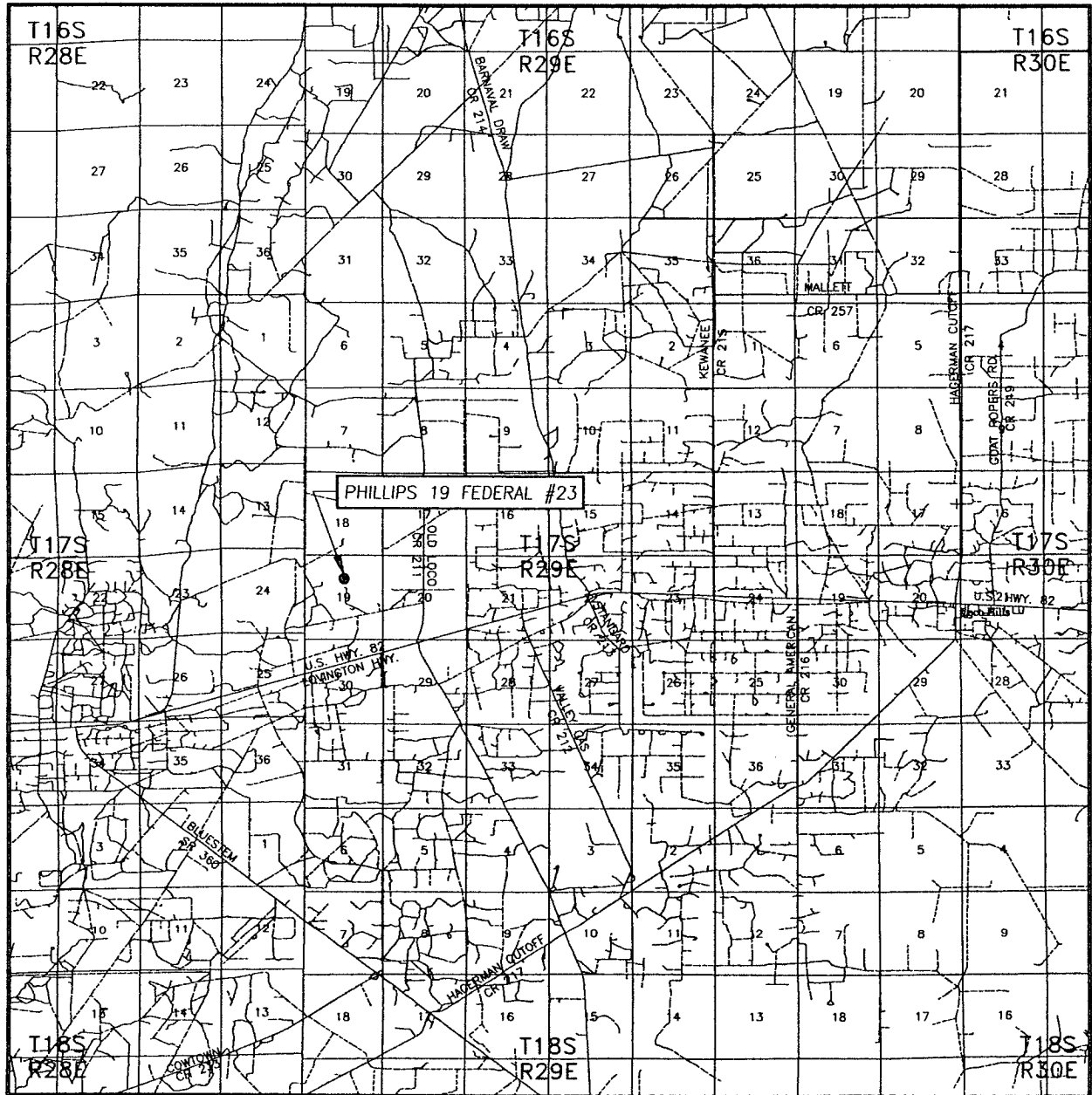
U.S.G.S. TOPOGRAPHIC MAP  
RED LAKE SE, N.M.





# EXHIBIT 3

## VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.


COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 1475' FNL & 2415' FEL

ELEVATION 3699'

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 19 FEDERAL



PROVIDING SURVEYING SERVICES  
SINCE 1946

**JOHN WEST SURVEYING COMPANY**

412 N. DAL PASO  
HOBBS, N.M. 88240  
(575) 393-3117

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.  
EDDY COUNTY NEW MEXICO

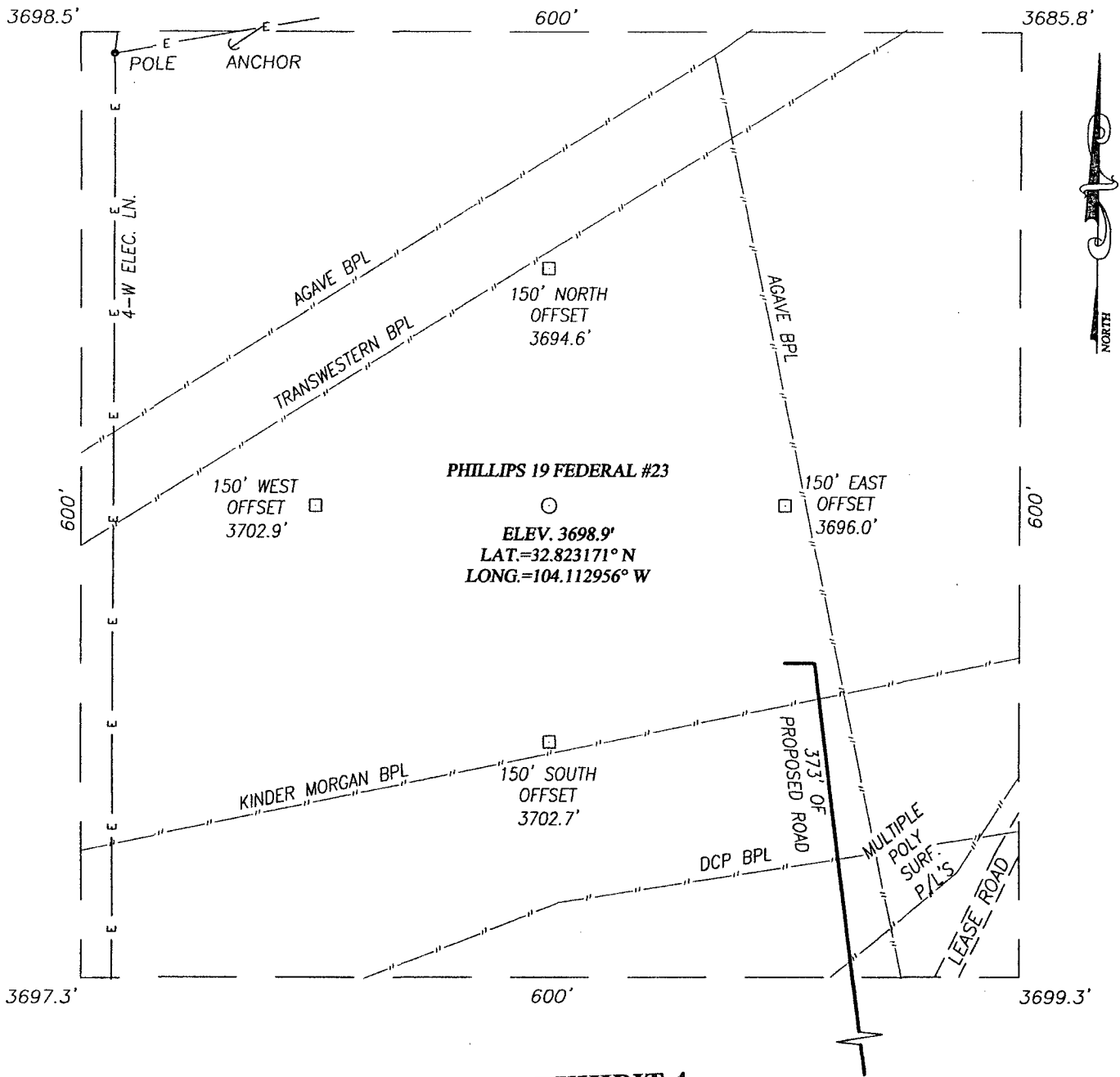
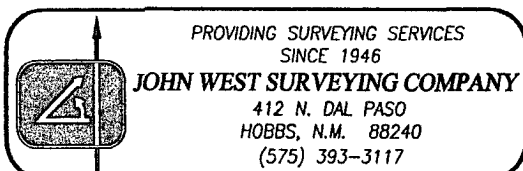
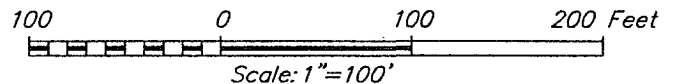


EXHIBIT 4

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #211 (OLD LOCO RD.), GO NORTH ON CO. RD. #211 APPROX. 0.5 MILES. TURN LEFT AND GO WEST APPROX. 0.8 MILES. TURN RIGHT AND GO NORTH APPROX. 0.1 MILE. VEER LEFT AND GO NORTHWEST APPROX. 0.2 MILES. VEER RIGHT AND GO NORTH APPROX. 0.1 MILE TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY NORTHWEST APPROX. 500 FEET TO THIS LOCATION.



CLAYTON WILLIAMS ENERGY, INC.

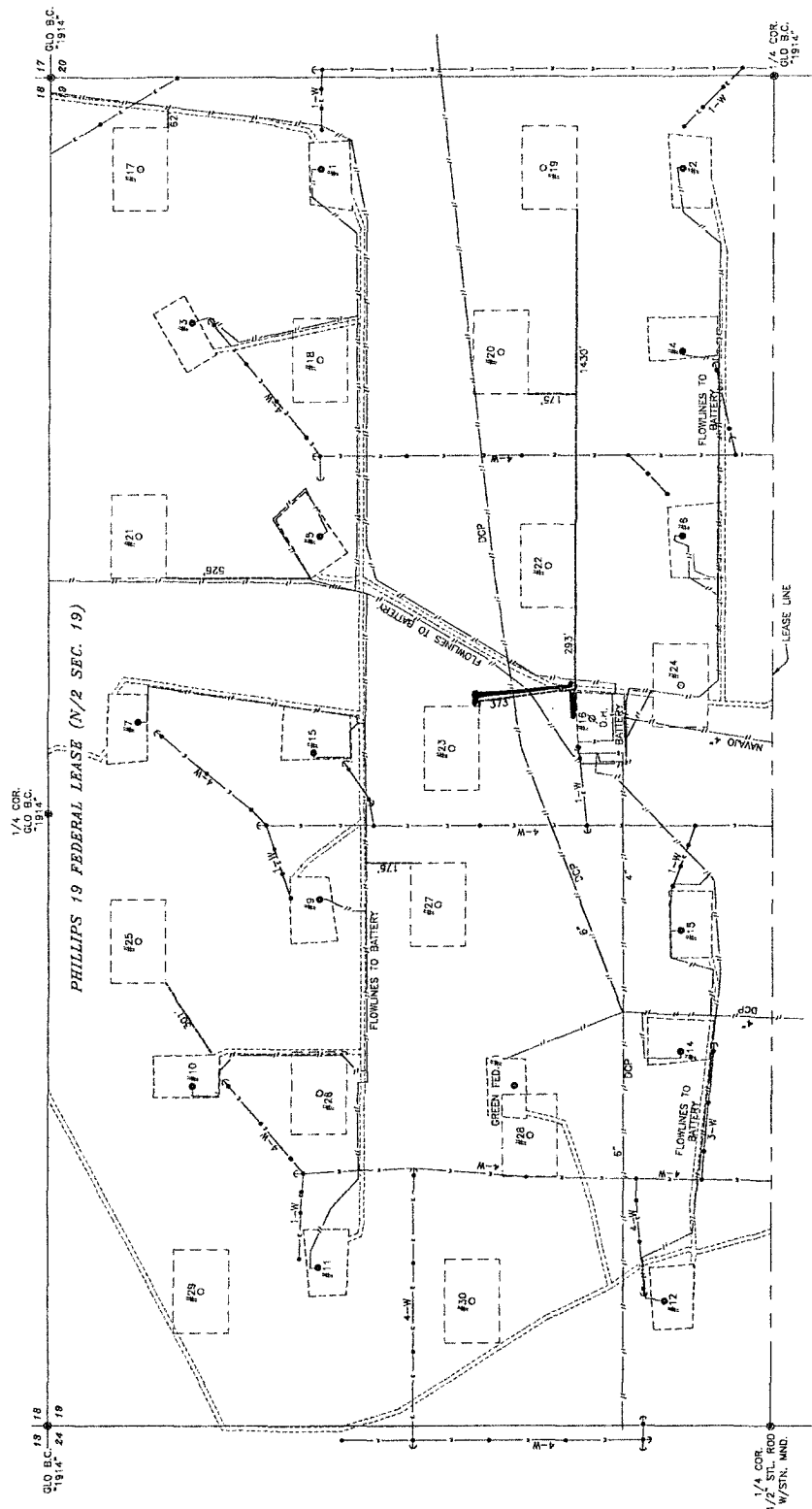
PHILLIPS 19 FEDERAL #23 WELL  
LOCATED 1475 FEET FROM THE NORTH LINE  
AND 2415 FEET FROM THE EAST LINE OF SECTION 19  
TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO

Survey Date: 2/1/10		Sheet 1 of 1 Sheets	
W.O. Number: 09.11.1134		Dr By: LA	Rev 1: N/A
Date: 2/3/10		09111134	Scale: 1"=100'

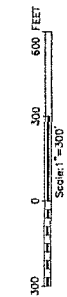
Phillips 19 Federal #23  
1475' FNL, 2415' FEL  
Section 19, T-17-S, R-29-E  
Eddy County, New Mexico

EXHIBIT 5

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



- LEGEND**
- - - - - DENOTES FENCE LINE
  - - - - - DENOTES SURFACE/BURIED PIPELINE
  - - - - - DENOTES LEASE ROAD
  - - - - - DENOTES ELECTRIC LINE
  - - - - - DENOTES UTILITY POLE & ANCHOR
  - - - - - DENOTES EXISTING WELL LOCATION
  - - - - - DENOTES FOUND MONUMENT AS NOTED
  - - - - - DENOTES PROPOSED WELL
  - - - - - DENOTES PROPOSED ROAD



NOTE: THIS SURVEY DOES NOT SHOW ALL PIPELINES

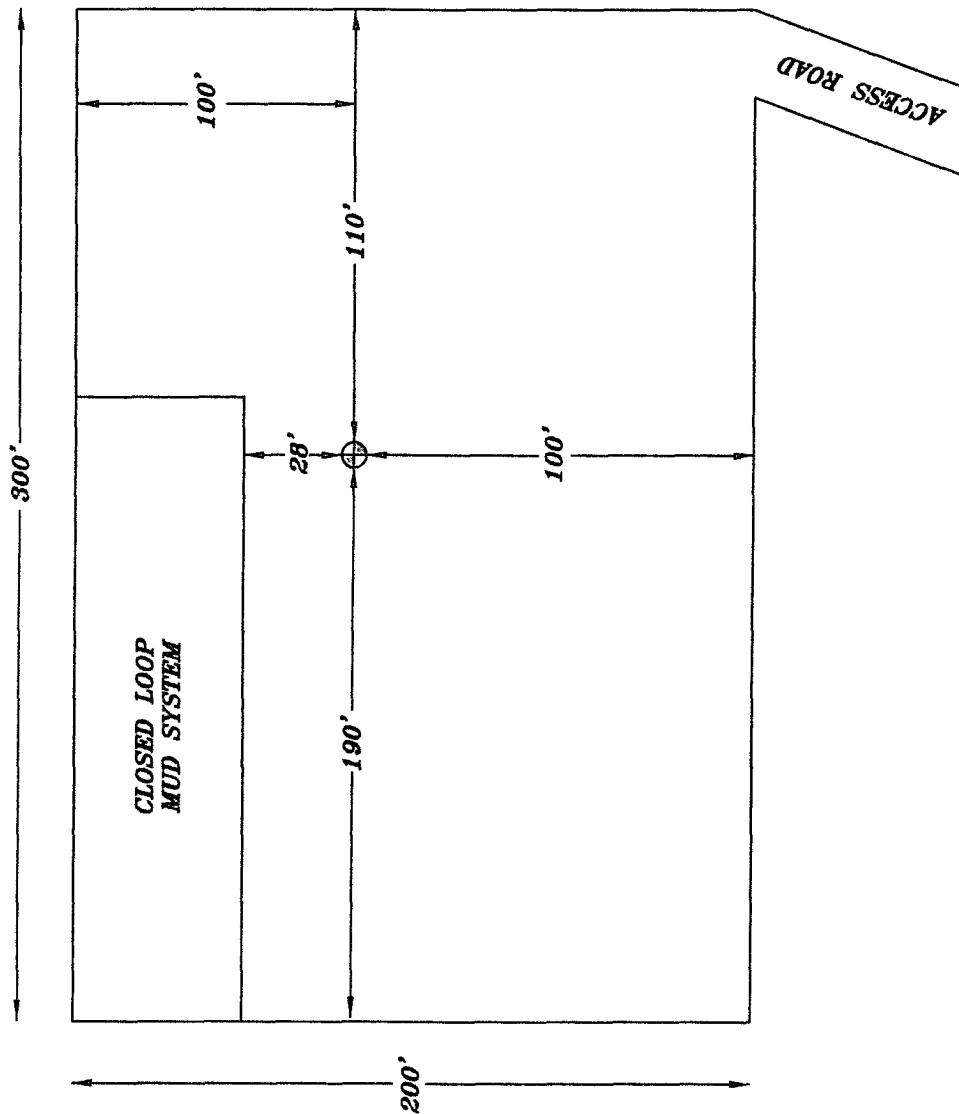
**CLAYTON WILLIAMS ENERGY, INC.**

SURVEY OF EXISTING WELLS, ROADS AND PIPELINES IN  
THE PHILLIPS 19 FEDERAL LEASE (N/2)  
SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO

Survey Date: 2/12/10	Sheet: 1 of 1
W.C. Number: 10.1.0107	Drawn By: LA D-1064
Date: 2/22/10	REV: 2/17/10

PROVIDING SURVEYING SERVICES  
SINCE 1946  
JULY 1953 SURVEYING COMPANY  
10805 N. ALAMO  
DALLAS, TEXAS 75243  
(972) 393-3117

EXHIBIT 6



DATE	2/4/10
DRN. EN.	JJ
FILE	CLAYTON WILLIAMS ENERGY, INC.

CLAYTON WILLIAMS ENERGY, INC.  
RIG LAYOUT

NOT TO SCALE

EXHIBIT 8

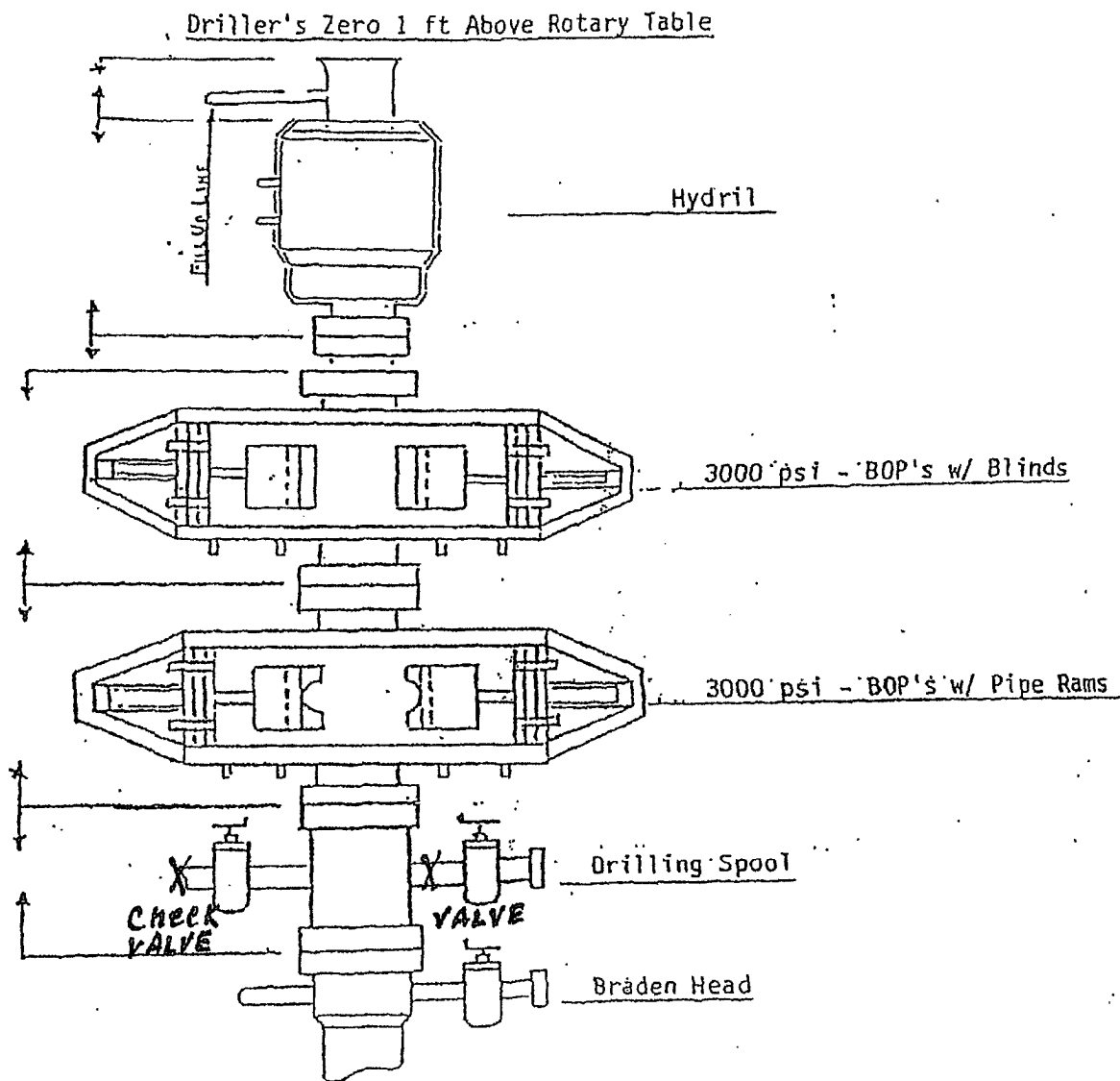
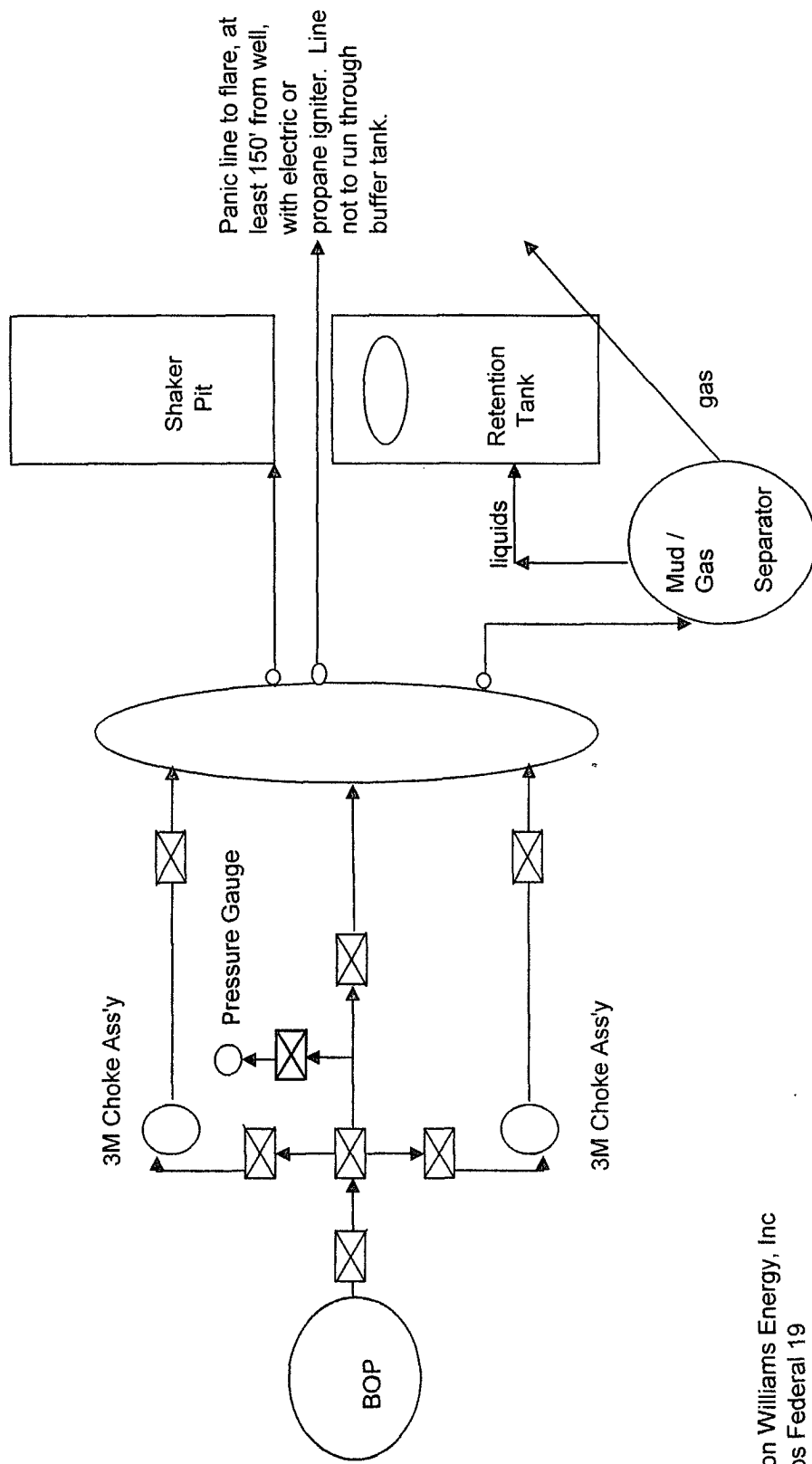
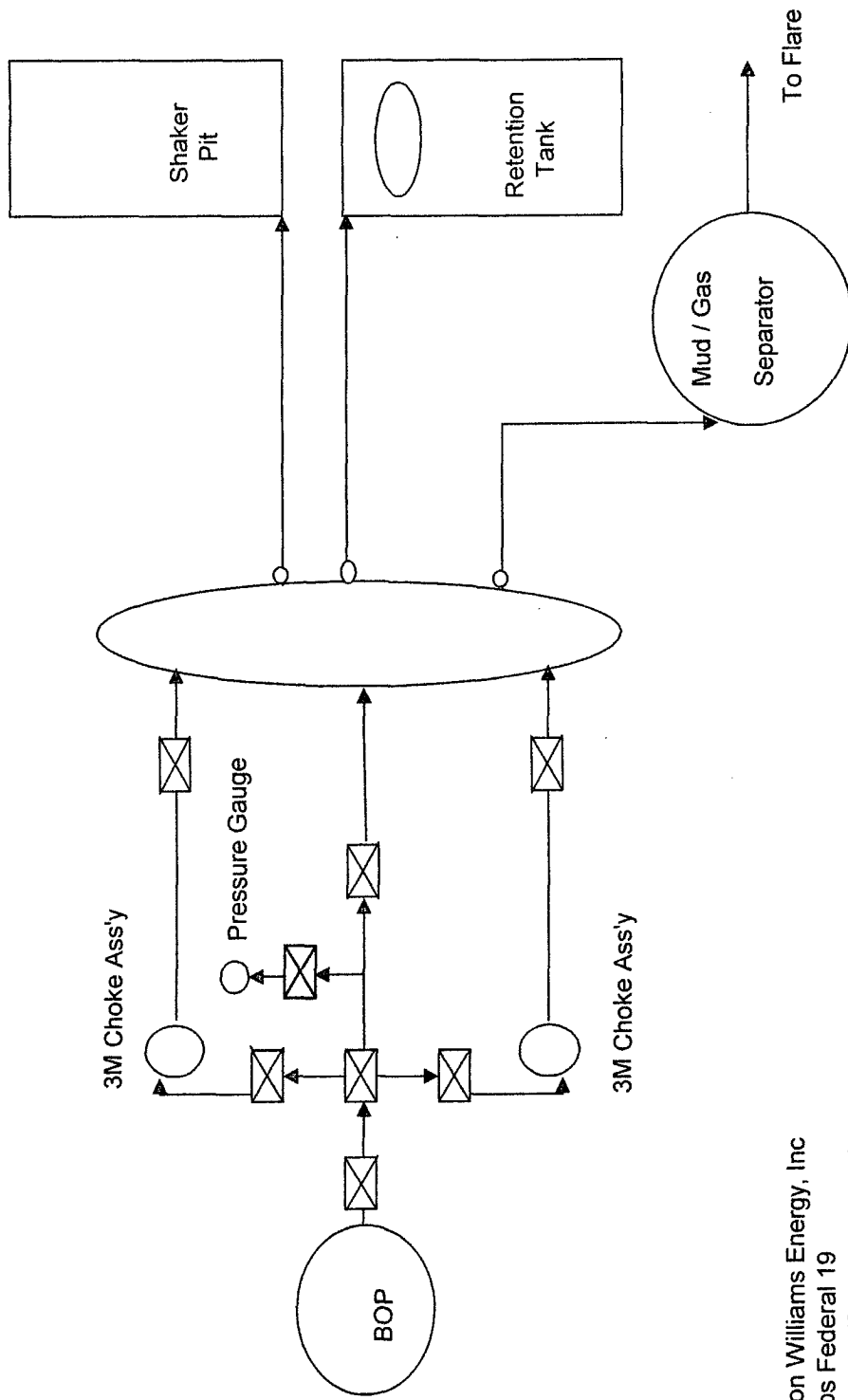


EXHIBIT 9



Clayton Williams Energy, Inc  
 Phillips Federal 19  
 Choke Manifold Assembly Schematic  
 Connection to Closed Looping Mud System  
 3M psi Rating



Clayton Williams Energy, Inc  
 Phillips Federal 19  
 Choke Manifold Assembly Schematic  
 Connection to Closed Looping Mud System  
 3M psi Rating