

SURFACE USE PLAN OF OPERATIONS
J. Cleo Thompson & James Cleo Thompson, Jr. L. P.
Cortez '33' Well No. 1
450.3' FSL & 630' FWL, SEC. 33
T16S, R30E
EDDY COUNTY, NEW MEXICO

30-019-38900

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well; the proposed construction activities and operations plan to be followed in rehabilitating the surface and environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a topographic map showing the location of the proposed well as staked. The well is approximately 3 miles north of Loco Hills, NM. Forty-five feet of new lease road will be cut, crowned and ditched.

- 2. Directions:** From the junction of CR 217 and CR 257 (Mallett Road), turn east. The location is 550' east and 182' south of the intersection of CR 217/CR 257.

3. PLANNED ACCESS ROAD

- A. **Length and Width:** Forty-five feet by fourteen feet (45' x 14') of new lease road will need to be cut, crowned and ditched in accordance with road guidelines contained in the joint BLM/USFS publication: Surface Operating Standards for Oil and gas Exploration and Development, The Gold Book, Fourth Edition and/or BLM Manual Section 9113 concerning road construction standards on projects subject to federal jurisdiction to ensure proper drainage .
- B. **Construction:** The existing road will be constructed and repaired by grading and topping with compacted caliche. The surface will be crowned and ditched in accordance with road guidelines contained in the joint BLM/USFS publication: Surface Operating Standards for Oil and gas Exploration and Development, The Gold Book, Fourth Edition and/or BLM Manual Section 9113 concerning road construction standards on projects subject to federal jurisdiction to ensure proper drainage.
- C. **Turnouts:** No new
- D. **Culverts:** No new
- E. **Cuts and Fills:** No new
- F. **Gates and Cattle Guards:** None
- G. **Off Lease Right-of-Way:** None

- 4. LOCATION OF EXISTING WELLS:** There are 19 existing wells in the section, one of which is in the same UL or lot number, 192.2' N of this proposed well. Exhibit "A" and Exhibit "B", Well Location and Acreage Dedication Plat, show existing wells in the section. Exhibit "E" shows all wells in a 1-mile radius of the proposed well.

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5. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES: The necessary facilities, gas separation/process equipment and tank battery are to be located on the well site if a well is made. J. Cleo Thompson, at this time, foresees 2-300 bbl oil tanks, 1-300 bbl water tank, a 4' x 20' heater treater and the necessary piping for this configuration. See attached Exhibit "C". If, in fact this lay-out changes, J. Cleo Thompson will send in the necessary Sundry Notice.
6. LOCATION AND TYPE OF WATER SUPPLY: It is planned to drill the proposed well with fresh water that will be transported over the existing roads.
7. SOURCE OF CONSTRUCTION MATERIALS: The location will be scraped and the top soil stored on the south side of the location. If adequate caliche exists, no further construction will take place. If in fact, additional construction is necessary, it is the intent of J. Cleo Thompson to obtain additional caliche from the state caliche pit off of Mallet Rd. Layers B and C will not be overturned as a source of construction material.
8. METHODS OF HANDLING WASTE:
 - A. Drill cuttings will be disposed of in the closed-loop system.
 - B. Water produced during the operations will be hauled to a disposal plant.
 - C. Oil produced during the operation will be collected in production tanks.
 - D. Trash, waste paper, garbage, and junk will be contained in trash bins to prevent scattering by the wind and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.
 - E. Current laws and regulations pertaining to the disposal of human waste will be observed.
9. ANCILLARY FACILITIES: None Required
10. WELL SITE LAYOUT:
 - A. Exhibit "D" shows the relative dimensions of the well pad and major rig components. The pad and closed-loop system area to be staked will measure 350' x 250'. The 200' to the east of the well bore is necessary for safe, emergency evacuation of the site if and when a service truck is backed up to the catwalk.
 - B. Cut and Fill: None required
 - C. Cuttings will be stored in steel pits until they are hauled to a state-approved disposal facility.
 - D. If the well is a producer, those areas of the location not essential to production facilities will be reclaimed and seeded as per BLM requirements. See attached map for interim remediation.

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11. PLANS FOR RESTORATION OF THE SURFACE:

Rehabilitation of the location will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the soil pile will be placed over the disturbed area to the extent possible. Vegetation procedures will comply with BLM standards. If the well is a dry hole, the pad and road will be contoured to match the existing terrain. Topsoil will be placed to the extent possible. Vegetation procedures will comply with BLM standards. Should the well be a producer, the previous noted procedures will apply to those areas which are not required for production facilities.

12. SURFACE OWNERSHIP:

United States of America
Department of Interior
Bureau of Land Management

13. OTHER INFORMATION

- A. Topography: The project area is located on open, rolling coppice dune field formations, with varied dune height/blowout ranging from 0.2 to 2.5 meters. Exposure is open and drainage is internal.
- B. Soil: Soils are tan/red loamy silty sands, mixed with an occasional caliche and/or chalcedony nodule in the deeper blowouts.
- C. Flora and Fauna: Area vegetation is dominated by shinoak, grasses, sage, mequite, and yucca.
- D. Ponds and Streams: None
- E. Residences and Other Structures: None in the immediate vicinity
- F. Land Use: Cattle grazing, but not at the present time
- G. Surface Ownership: The proposed well site and the access road are on federal surface with federal minerals.
- H. There is no evidence of archaeological, historical or cultural sites in the staked area.

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14. OPERATOR'S REPRESENTATIVE

The field representative for assuring compliance with the approved use and operations plan is as follows:

J.E. (Jim) Stevens
Operations Manager
J. Cleo Thompson & James Cleo Thompson, Jr., L.P.
P. O. Box 12577
Odessa, TX 79768
Office Phone: (432) 550-8887
Cell Phone: (432) 664-2917

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15. CERTIFICATION:

I, J. E. Stevens, hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route as 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 18 day of August, 2010

Signed:

Name:

J. E. Stevens

Position Title:

Operations Manager

Address:

J. Cleo Thompson & James Cleo Thompson, Jr., L.P.

P. O. Box 12577

Odessa, TX 79768

Telephone:

(432) 550-8887

Field Representative: John Hughes

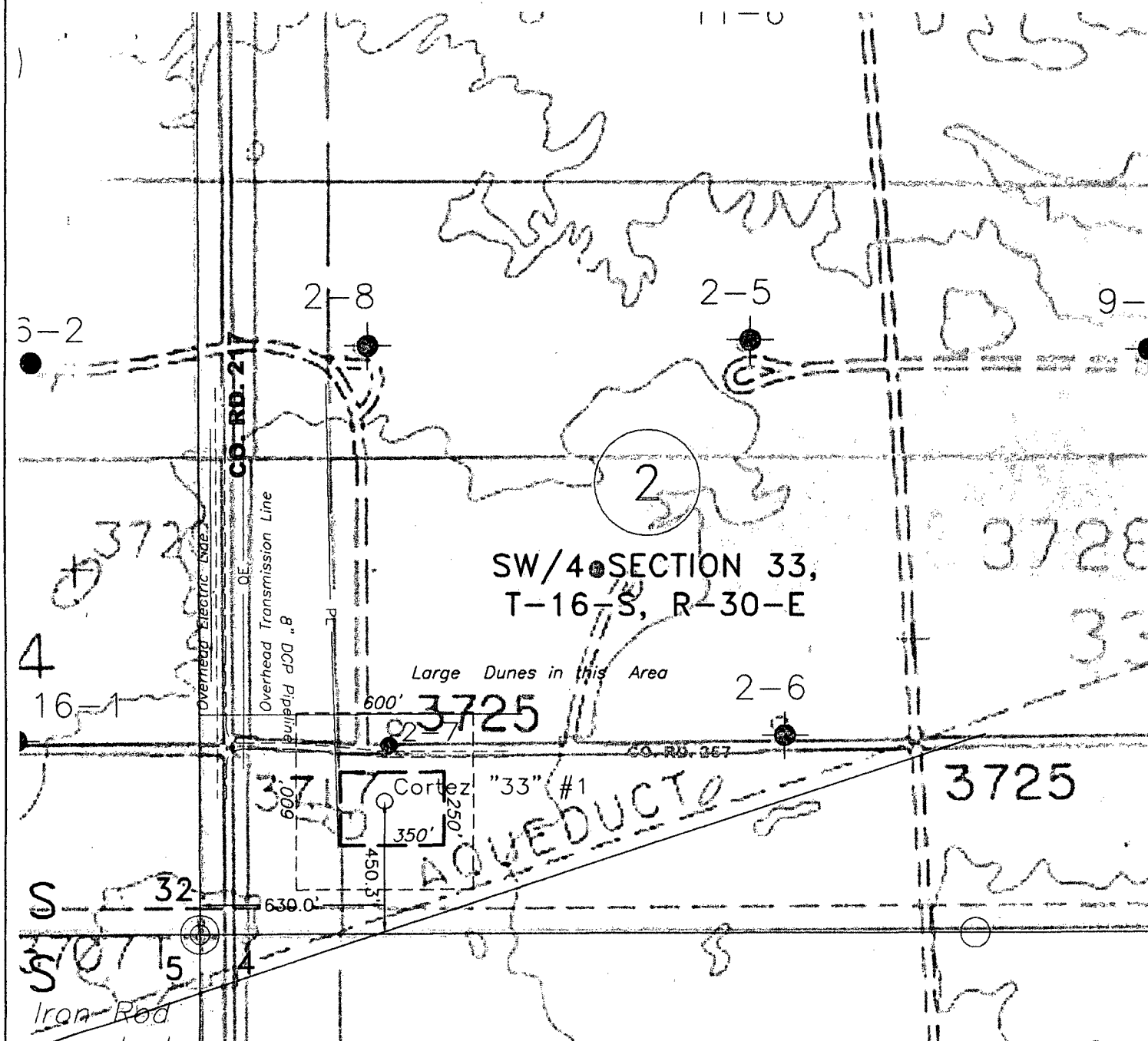
Address:

P. O. Box 430

Whiteface, TX 79379

Telephone:

(432) 661-5313



LEGEND OF SYMBOLS

- = Lease Road
- E- = Proposed Electric Line
- P- = Proposed Production Flow Line
- o = Staked Well Location
- = Producing Well Location
- ⊙ = Water Injection Well
- o = Found 1" Iron Pipe with Brass Cap
- ⊙ = Found 2" or 3" Iron Pipe with Brass Cap
- = Unit or Lease Boundary

EXHIBIT "A" ACCESS ROAD AND FACILITIES MAP

J. CLEO THOMPSON & JAMES CLEO THOMPSON, JR. L.P.

CORTEZ 33 #1
Located 450.3' FSL & 630' FWL, Section 33,
T-16-S, R-30-E, NMPM, Eddy County, NM

Drawn by: Tina Chalambaga

Scale: 1" = 500'

Date: 06/15/10

Attn.: Jim Stevens

Checked by: J. Stan Piper

Sheet 1 of 1

APD Surface Use Plan of Operations
J. Cleo Thompson & James Cleo Thompson, Jr., L. P.
Cortez '33' Well No. 1
Map of all Known Wells Within a Mile Radius

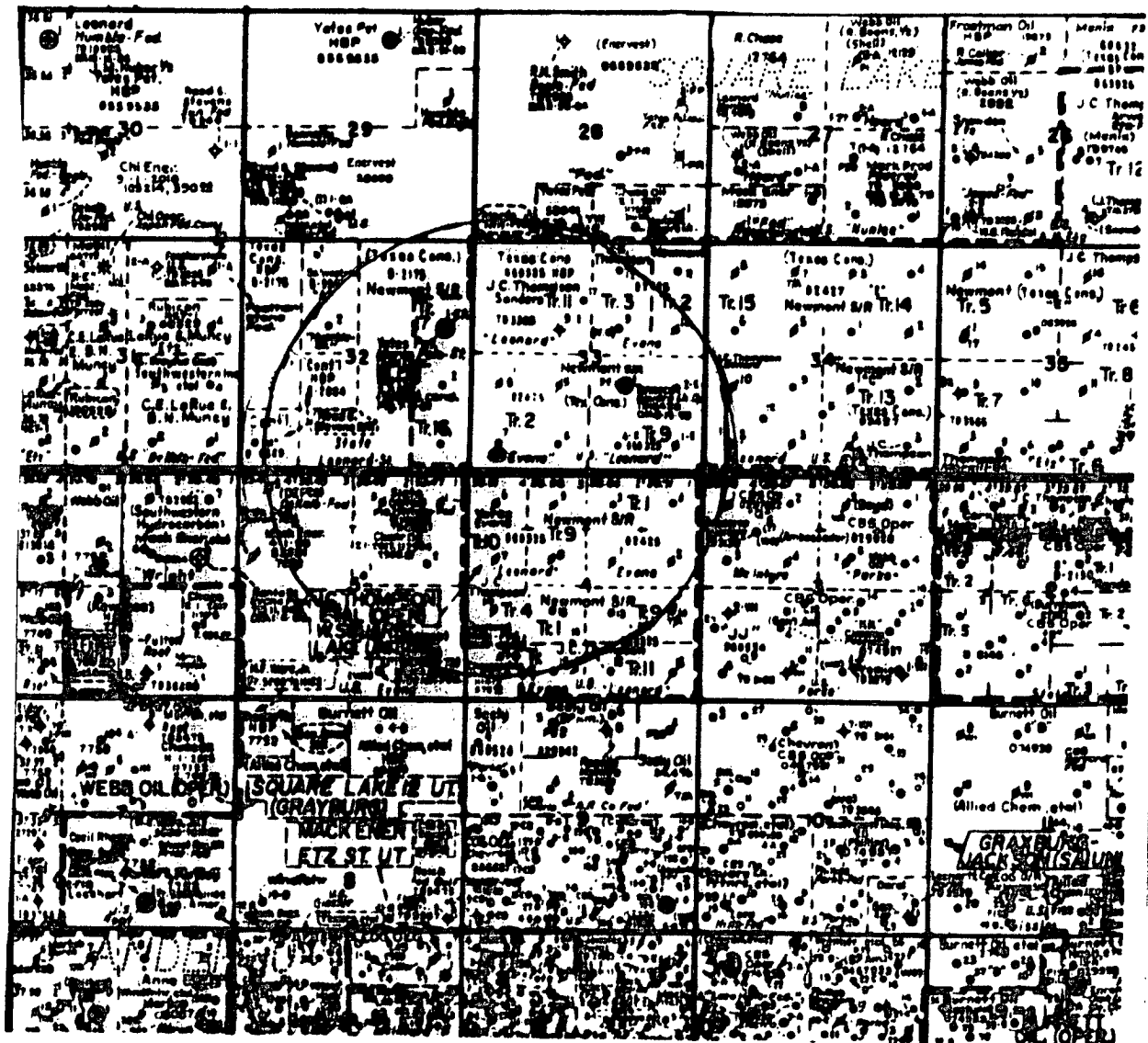


EXHIBIT C

J. Cleo Thompson & James Cleo Thompson, Jr., L. P.
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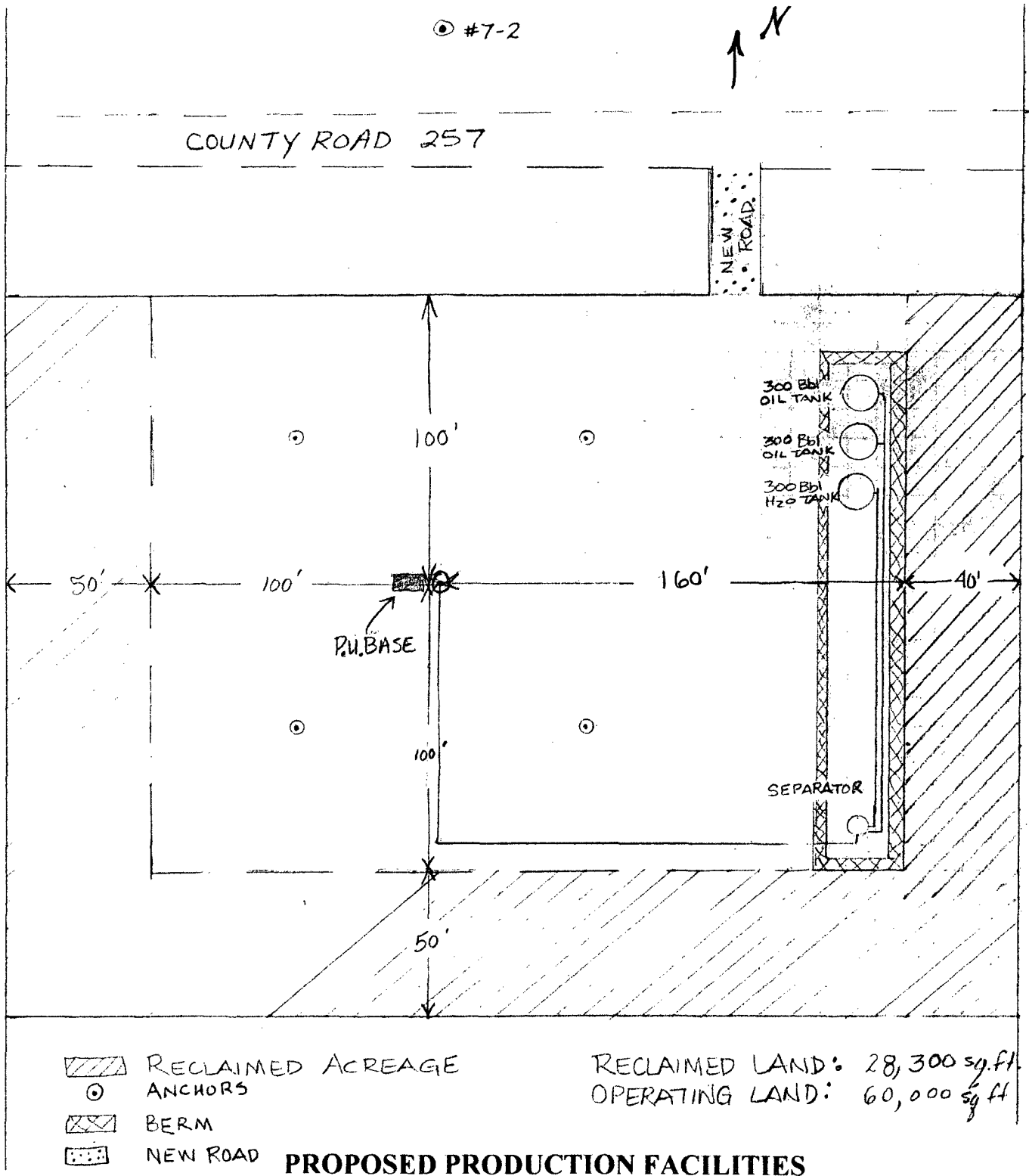
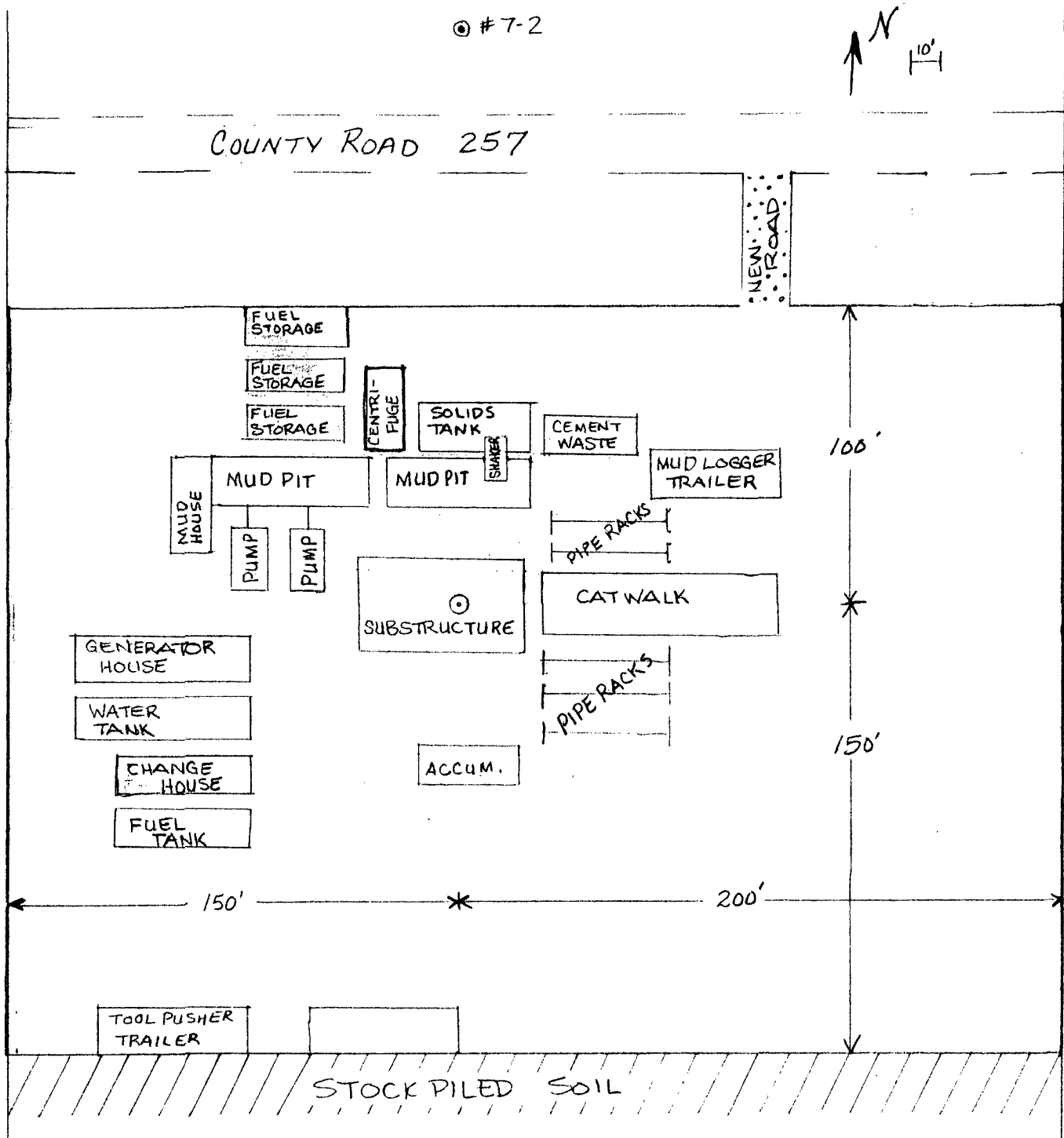


EXHIBIT D

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PROPOSED WELL SITE LAYOUT