

Manzano, LLC
MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Battle Axe Federal #1H
Surface Location:
400' FSL & 1980' FEL
Section 34, T26S, R32E
Bottom Hole Location
330' FNL & 1980' FEL
Section 27, T26S, R32E
Lea County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

- a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. The well was staked by Basin Surveys Company.
- b. Exhibit 2C is a portion of an aerial map showing the well and roads in the vicinity of the proposed location. The proposed wellsite and the access route to the location are indicated in on Exhibit 2.
- c. 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.

DIRECTIONS:

From the Junction of HWY County rd.1 (Orla HWY) and Battle Axe road Go Southeast on Battle Axe for 4.2 Miles to lease road across from gravel pits, GO south .3 miles to new lease road. Turn west and follow to Battle Axe location

2. PLANNED ACCESS ROAD:

The proposed access road is shown in Exhibit 2.

- A. The well site and elevation plat for the proposed well are reflected on the well site Layout; Form C-102. The well was staked by Basin Surveys.
- B. All roads into the location are depicted on Exhibit-2A.
- C. An alternative access road from the south has been submitted and will be used upon Ranchers approval. This road is also on Basin Surveys surface plat labeled exhibit 2.

3. New or Reconstructed Access Roads and Location

- A. The well site layout, and proposed road access is depicted in surface plats drawn out by Basin Surveys.
- B. The maximum width of the ROW for road will be 25' with a driving surface of 14'. It will be crowned and made of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent surface erosion.
- C. Surface material will be native caliche. This material will be obtained from a BLM approved pit nearest in proximity to the location. The average grade will be approximately 1%
- D. No cattle guards, grates or fence cuts will be required. No turnouts are planned
- E. Top soil will be stock piled on the southwest corner of the location, and 100% of this material will Be used for the interim reclamation.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. In the event the well is found productive, the Battle Axe Federal 1H tank battery would be utilized and the necessary production equipment will be installed at the well site. A Site Facilities Diagram will be submitted upon completion of facility.
- B. All flow lines will adhere to API standards
- C. If electricity is needed, power will be obtained from Xcel Electric. Xcel Electric will apply for ROW for their power lines.

5. LOCATION AND TYPES OF WATER SUPPLY:

This location will be drilled using a combination of water mud systems (outlined in the Drilling Program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown in Exhibit #2. On occasion, water will be obtained from a pre-existing water well, running a pump directly to the drill rig. In these cases where a poly pipeline is used to transport water for drilling purposes, the existing and proposed road shown in Exhibit "2" will be utilized.

5. CONSTRUCTION MATERIALS:

All Caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM approved pit or from prevailing deposits found under the location. All roads will

be constructed of 6" rolled and compacted caliche. Will use BLM recommended use of extra caliche from other locations close by for roads, if available.

6. METHODS OF HANDLING WASTE MATERIAL:

- a. All trash, junk and other waste material will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
- b. The supplier, including broken sacks, will pick up slats remaining after completion of well.
- c. A porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- d. Disposal of fluids to be transported by an approved disposal company.

7. ANCILLARY FACILITIES:

No campsite or other facilities will be constructed as a result of this well.

8. WELLSITE LAYOUT:

- a. Exhibit 3 shows the proposed well site layout with dimensions of the pad layout.
- b. This exhibit indicates proposed location of close loop and sump pits if utilized and living facilities.
- c. Mud pits in the active circulating system will be steel pits and a closed loop system will be utilized.

9. PLANS FOR SURFACE RECLAMATION:

- a. Interim reclamation will be done if the well is deemed commercially productive; caliche from areas of the pad site not required for operations will be reclaimed. The original top soil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography.
- b. After finishing drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original top soil will again be returned to the pad and contoured, as close as possible, to the original state.
- c. The location and road will be rehabilitated as recommended by the BLM.

10. SURFACE OWNERSHIP:

The surface is owned by the US Government and is administered by the Bureau of Land Management. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas. The proposed road routes and the surface location will be restored as directed by the BLM.

11. OTHER INFORMATION:

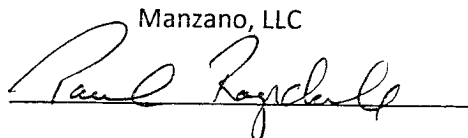
- a. The area surrounding the well site is grassland. The topsoil is very sandy in nature. The vegetation is moderately sparse with native prairie grass, some mesquite bushes and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.
- b. There is no permanent or live water in the general proximity of the location.
- c. There are no dwellings within 2 miles of location.

12. OPERATOR'S REPRESENTATIVE:

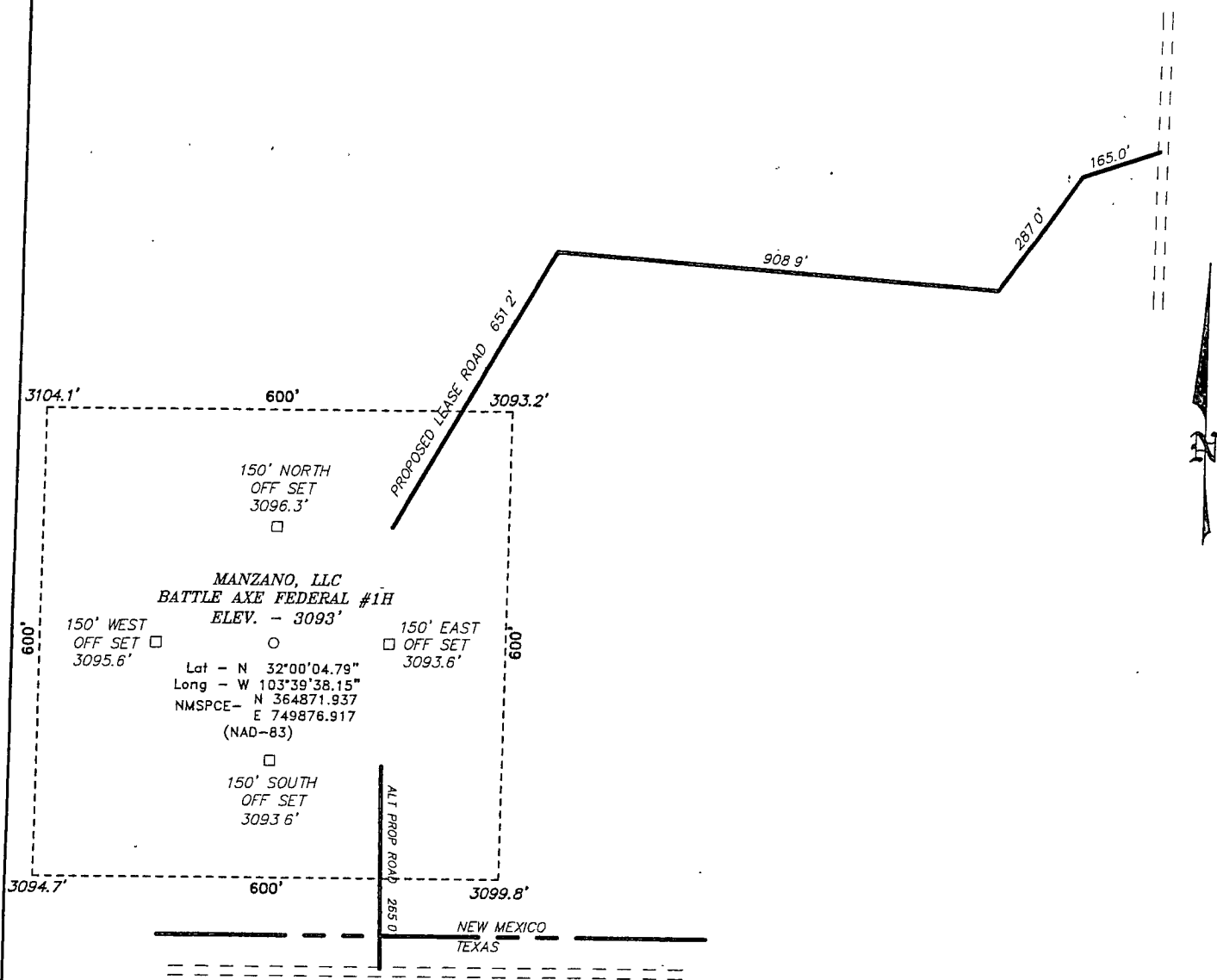
CERTIFICATION:

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 Manzano, LLC and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

5-16-2011
Date

Manzano, LLC

Paul Ragsdale
Operations Manager
Manzano, LLC

SECTION 34, TOWNSHIP 26 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



200 0 200 400 FEET
SCALE: 1" = 200'

Directions to Location:

FROM THE JUNCTION OF HWY ORLA AND BATTLE AXE,
GO SOUTHEAST ON BATTLE AXE FOR 4.2 MILES TO
LEASE ROAD, ON LEASE ROAD GO SOUTH 0.3 MILES
TO PROPOSED LEASE ROAD.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

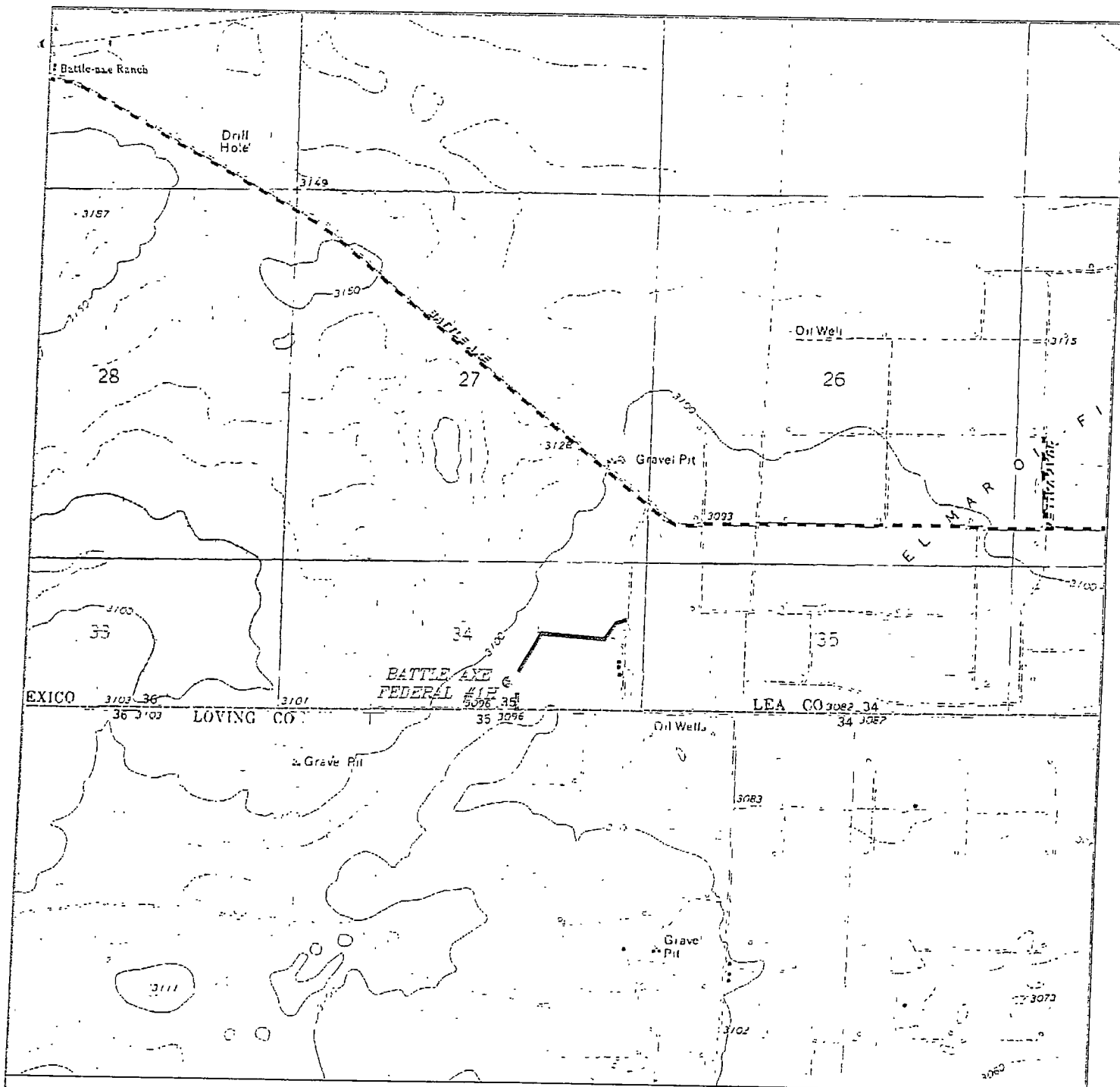
W.O. Number: 24377

Drawn By: J. SMALL

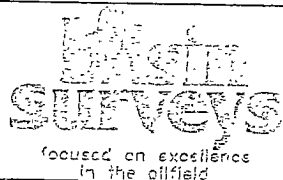
Date: 04-04-2011

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MANZANO, LLC	
REF: BATTLE AXE FEDERAL #1H / WELL PAD TOPO	
THE BATTLE AXE FEDERAL #1H LOCATED 400'	
FROM THE SOUTH LINE AND 1980' FROM THE EAST LINE OF	
SECTION 34, TOWNSHIP 26 SOUTH, RANGE 32 EAST,	
N.M.P.M., LEA COUNTY, NEW MEXICO.	
Survey Date: 04-01-2011	Sheet 1 of 1 Sheets



BATTLE AXE FEDERAL #1H
 Located 400' FSL and 1980' FEL
 Section 34, Township 26 South, Range 32 East,
 N.M.P.M., Lea County, New Mexico.



P.O. Box 1796
 1120 N. West County Rd.
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 basin-surveys.com

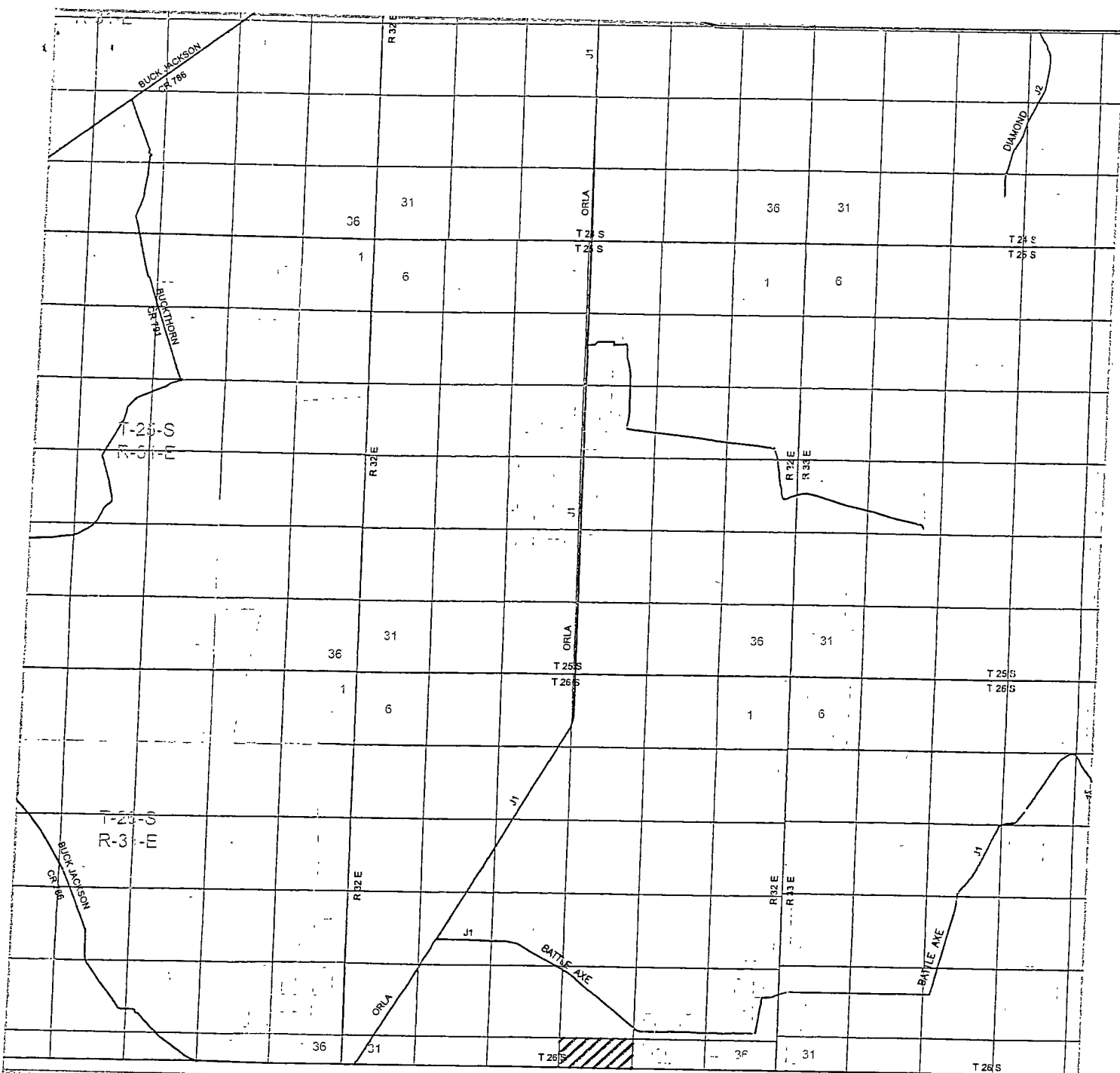
W.O. Number: JMS 24377

Survey Date: 04-01-2011

Scale: 1" = 2000'

Date: 04-04-2008

MANZANO, LLC



BATTLE AXE FEDERAL #1H
 Located 400' FSL and 1980' FEL
 Section 34, Township 26 South, Range 32 East,
 N.M.P.M., Lea County, New Mexico.

MANZANO SURVEYS
 focused on excellence
 in the field

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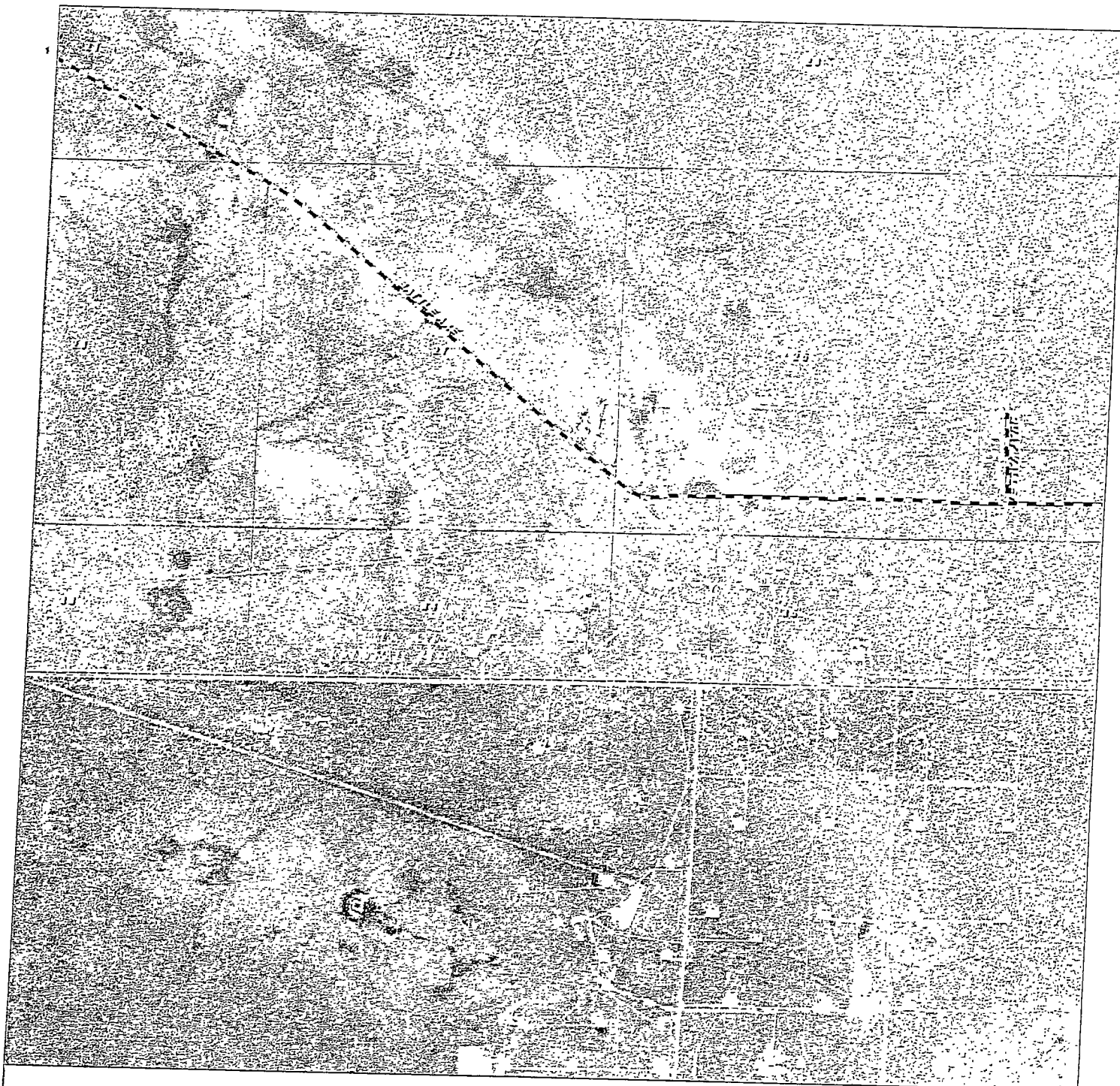
W.O. Number: JMS 24377

Survey Date: 04-01-2011

Scale: 1" = 2 miles

Date 04-04-2008

MANZANO, LLC



BATTLE AXE FEDERAL #1H
Located 400' FSL and 1980' FEL
Section 34, Township 26 South, Range 62 East,
N.M.P.M., Lea County, New Mexico.

**Basin
SURVEYS**

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in the oilfield

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W.O. Number JWS 2-377

Scale 1" = 2000

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND

MANZANO, LLC

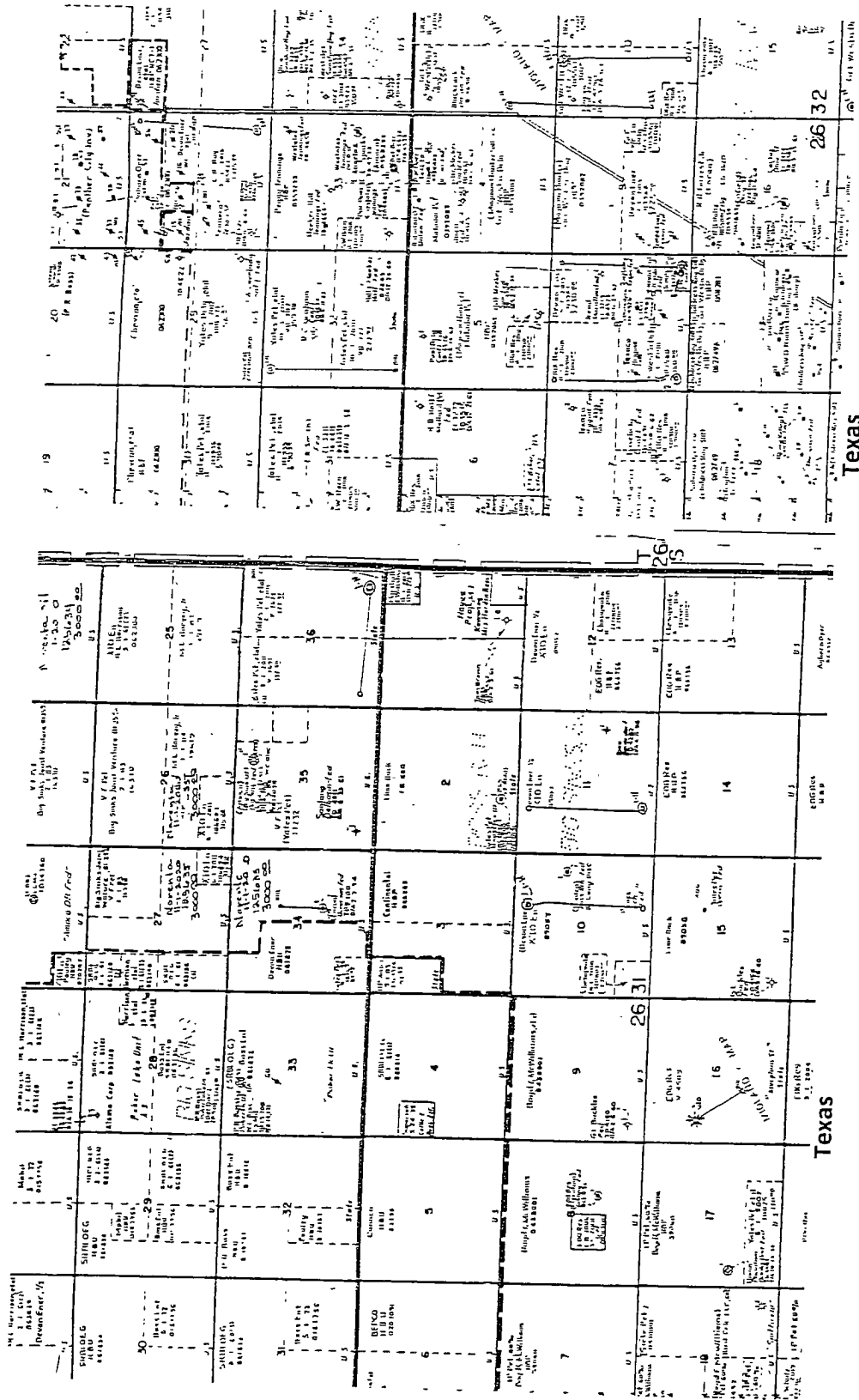


Exhibit 2D