

Surface Use Plan
Nadel and Gussman Permian, LLC
Lion Scarecrow 34 Fed Com #2H I
Section 34, T18S, R32E
2110' FNL & 200' FWL
Lea County, New Mexico

30-025-40777

HOBBS OGD

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1. Existing Roads:

Exhibit 1 contains the surveys and a maps with proposed location and lease roads. The location is approximately 8 miles South of Maljamar, NM. From Intersection of St Hwy 529 and Co rd 126, Go south on Co rd 126 approx 8 miles. Turn left on Lease road East approx 2.5 miles. Turn left and go north approx 1 mile, then left on lease road, then next right on lease road and follow to well.

2. Planned Access Roads:

Road will be already constructed to access Scarecrow #1H, no new road will need to be built to access the No. 2H site. Drilling pad (approximately 340' x 270' location) will be constructed adjacent to existing road built to access the #1H.

3. Location of Existing Wells:

See EXHIBIT #3 Existing wells within 1 mile.

4. Location of Tank Batteries, Electric Lines, Etc:

- a. In the event the well is found productive, the tank battery would be utilized and the necessary production equipment would be built on location see exhibit #6
- b. NGP will tie onto existing power lines that cross the section just north of the number 2 location and supply the McKay West Federal #1. Poles will follow road south to pad.

5. Location and Type of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). Water will be obtained from commercial water stations in the area and hauled in by transport truck using the existing and proposed roads shown in the C-102.

6. Source of Construction Material:

Top soil will be stock piled on the south side of location and will be used after drilling and completion operations to reduce location size and reclaim and reseeded to BLM specifications.

All caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM / State approved pit

Or from prevailing deposits found under the location. All roads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Waste Disposal:

a. All trash, junk, and other waste material will be contained in trash cages or trash bin to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill. The wellsite will be cleaned of all waste within 30 days of final completion of the well.

b. A portable toilet 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.

c. Disposal of fluids to be transported by trucks to a nearby approved disposal.

8. Ancillary Facilities:

Nadel and Gussman Permian will explore all options for obtaining water storage for stimulation before constructing a frac pit, however a frac pit on the #3H location will be included in this APD. NGP will look to utilize offset Frac pits built by nearby operators, next option will be

SEP 25 2012

temporary Poisidon Frac tanks if a nearby source of water is available, if this is not possible a Frac Pit will be built at #3 location and will utilize existing disturbance of plugged and abandoned Fist Full of Dollars #1 (2310 FSL, 330 FWL) location. See attached plats and diagrams. When operations are complete the Frac pit will be reclaimed and reseeded to BLM requirments.

9. Wellsite Layout:

- a. EXHIBIT #4 shows the relative location and dimensions of the well pad and major rig components.
- b. The land is relatively flat with some sand in soil
- c. The pad area has been staked.

10. Plan for Restoration of the Surface:

- a. After drilling and completion operations are completed, all equipment and other materials not needed for further operations will be removed. The location cleaned of all trash to leave the wellsite as pleasant in appearance as possible.
- b. If the proposed operation is nonproductive, all restoration and/or vegetation requirements of the BLM will be complied with, and will be accomplished as quickly as possible.
- c. Interim reclamation consists of minimizing the footprint of disturbance by reclaiming all portions of the well site not needed for production operations. Topsoil is respread over areas not needed for production operations and recontoured to the surrounding area and reseeded

11. Other Information:

- a. The mineral and surface owner is the Federal Government, Land and Grazing lease owner will be contacted
- b. The topography consists of slightly sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.
- c. There are no ponds, lakes, or rivers in this area.
- d. An Archaeological Survey has been completed and a copy will be sent to the Carlsbad BLM office by Boone Archeological Services. There is no evidence of any significant archaeological, historical, or cultural sites in the area. Further, there are no occupied dwellings or windmills in the area.
- e. Should any incidental oil be recovered during testing of this well, this oil will be considered waste oil and not sellable due to contamination by drilling and/or completion fluids.

12. Operator's Representative:

The Nadel and Gussman Permian, LLC Company representatives responsible for ensuring compliance of the surface

Use plan are listed below.

Jason Goss, Drilling Engineer
Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld Suite 508
Midland, Tx 79701
(432) 682-4429

Kurt Hood, Production Foreman

April 23, 2012

OPERATOR CERTIFICATION

I 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 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 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 the 23 day of April 2012.

Name: Jason Goss

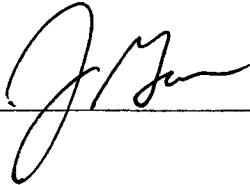
Position: Drilling Engineer

Address: 601 N. Marienfeld Suite 508

Telephone: 432-682-4429

Email: jgoss@naguss.com

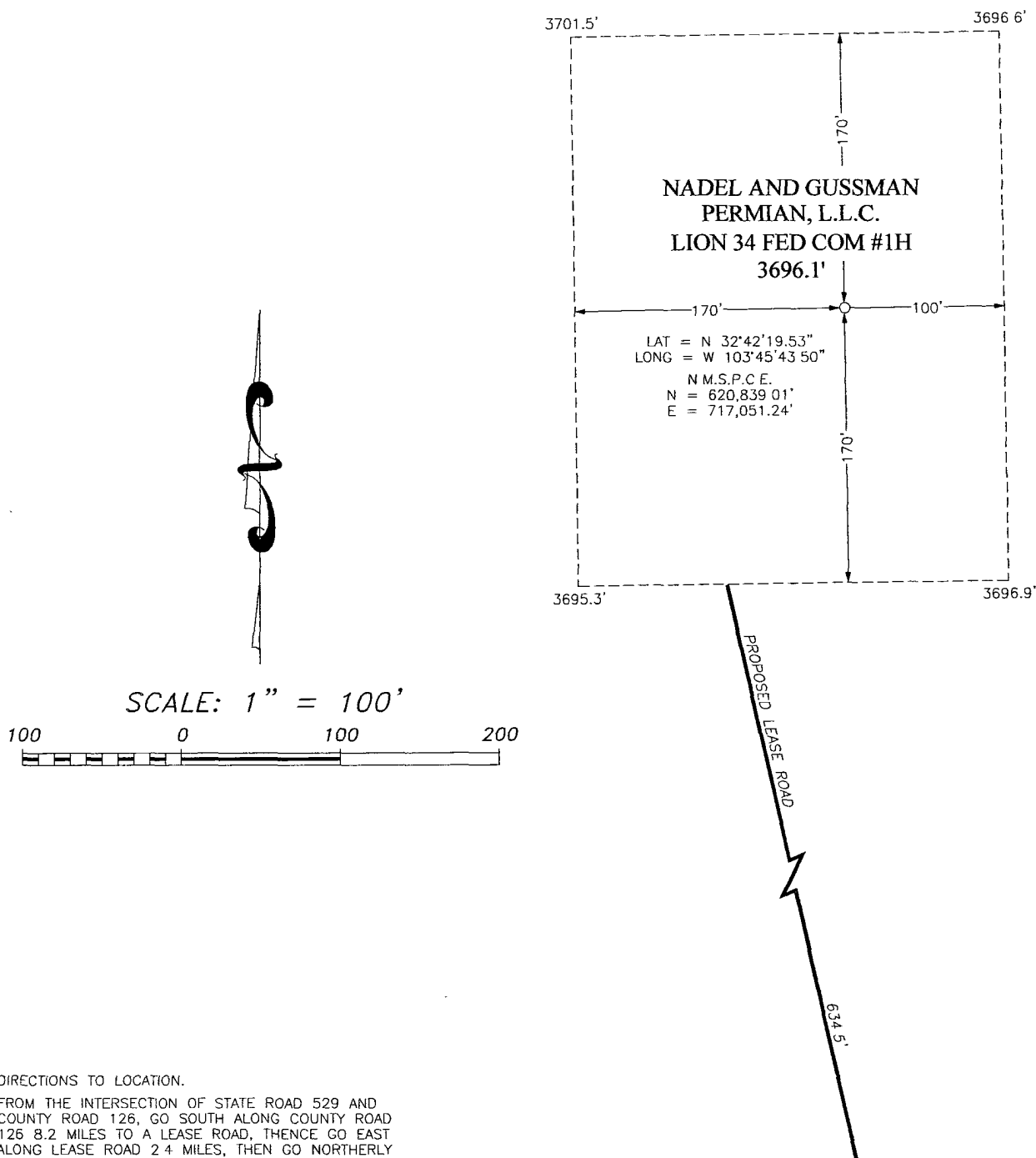
Signed: _____

A handwritten signature in black ink, appearing to read 'J. Goss', is written over a horizontal line.

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

LEA COUNTY

NEW MEXICO



DIRECTIONS TO LOCATION.

FROM THE INTERSECTION OF STATE ROAD 529 AND COUNTY ROAD 126, GO SOUTH ALONG COUNTY ROAD 126 8.2 MILES TO A LEASE ROAD, THENCE GO EAST ALONG LEASE ROAD 2.4 MILES, THEN GO NORTHERLY CONTINUING ALONG LEASE ROAD 1.2 MILES, THEN GO WEST CONTINUING ALONG LEASE ROAD 0.3 MILES, THEN GO NORTH ALONG ANOTHER LEASE ROAD 160 FEET THEN GO NORTHERLY ALONG PROPOSED LEASE ROAD 0.2 MILES TO THE WELL PAD.

SCARECROW 34 FED COM #3H
WELL PAD LOCATION

RAINS SURVEYING COMPANY

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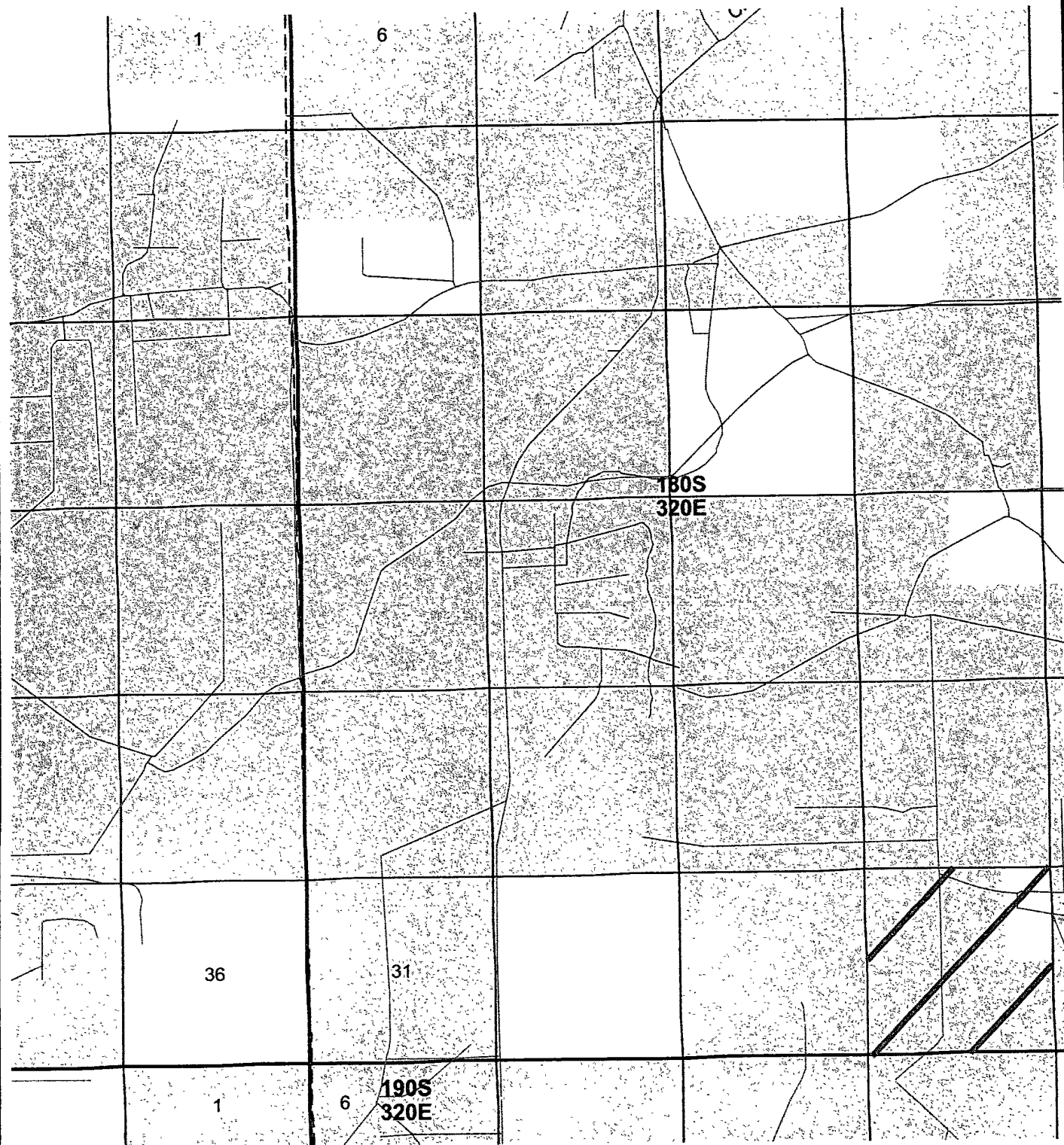
NADEL & GUSSMAN PERMIAN, L.L.C.

REF: LION 34 FED COM #1H - WELL PAD TOPO

LION 34 FED COM #1H
LOCATED 2110' FROM THE NORTH LINE AND
200' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

DATE OF SURVEY: APRIL 03, 2012 SHEET 1 of 1 SHEETS

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY **NEW MEXICO**



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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: LION 34 FED COM #1H - VICINITY MAP

LION 34 FED COM #1H
LOCATED 2110' FROM THE NORTH LINE AND
200' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

DATE OF SURVEY: 04/03/2012

SCALE: NOT TO SCALE

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY NEW MEXICO

LION 34 FED COM #1H

NOTE:

YELLOW = FEDERAL LAND

BLUE = STATE LAND

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: LION 34 FED COM #1H - LOCATION MAP

LION 34 FED COM #1H
LOCATED 2110' FROM THE NORTH LINE AND
200' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

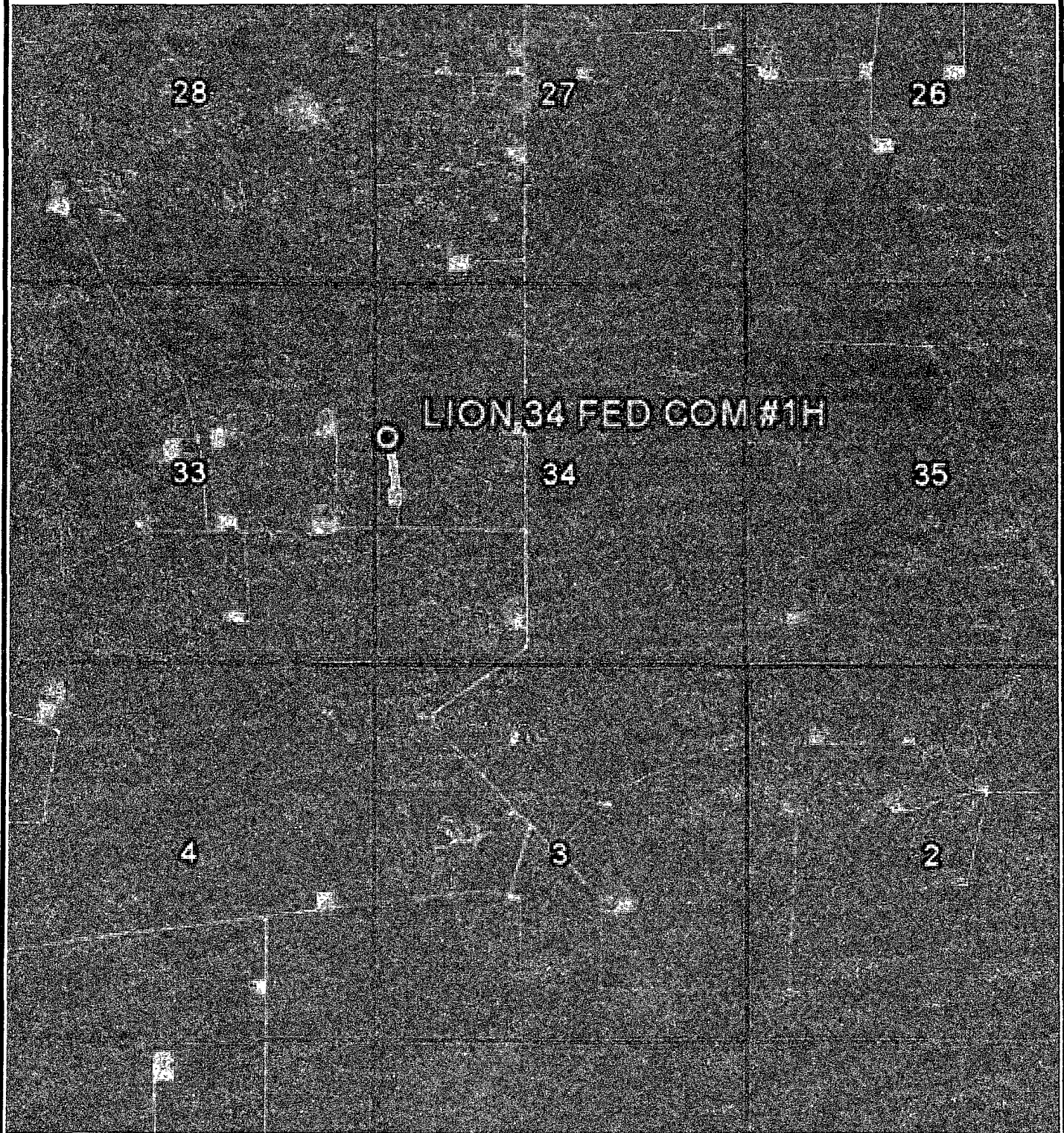
DATE OF SURVEY: 04/03/2012

SCALE: 1" = 2000'±

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: LION 34 FED COM #1H - AERIAL LOCATION MAP

LION 34 FED COM #1H
LOCATED 2110' FROM THE NORTH LINE AND
200' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

DATE OF SURVEY: 04/03/2012

SCALE: 1" = 2000'±

T18.0S-R32.0E

20

21

22

QPBSSU 8A

MCKAY-WEST FEDERAL

ANADARKO FEDERAL

29

28

27

FEDERAL 'E'

ANADARKO FEDERAL /E/

FEDERAL E/

QUERECHO '28' FEDERAL

ANADARKO ANADARKO /A/

ANADARKO FEDERAL

KEEL FEDERAL

ANADARKO

MCKAY WEST FEDE

ANADARKO

FEDERAL

NELLIE

TEXACO-FEDERAL

KEEL 'A' FEDERAL

VANDIVER FEDERAL

32

33

JOHNSON FEDR

34

SPEAR FEDERAL

FIST FULL OF DOLLARS

KEEL PATTERSON FEDERAL KEEL FEDERAL

PEDCO GULF FED COM

GULE-MCKAY FEDERAL

PATTERSON FEDERAL

PATTERSON FEDERAL

LUSK SEVEN RIVERS

LUSK(SVN RVRS)UNIT

HORN-FEDERAL

KEEL 'A' FEDERAL

5

4

3

0 2,133
FEET

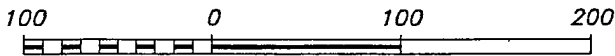
SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

EDDY COUNTY

NEW MEXICO



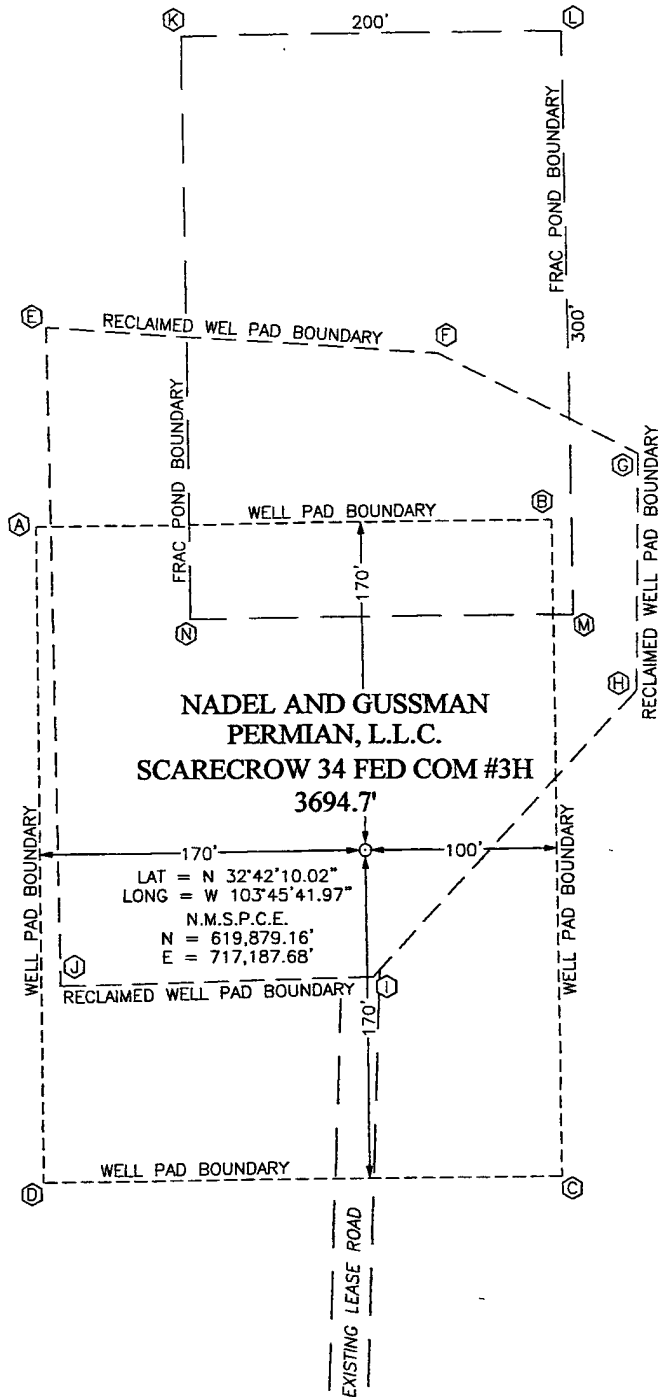
SCALE: 1" = 100'



N.M.S.P.C.E. TABLE			
X	NORTHING	EASTING	ELEVATION
A	620,048.2'	717,016.8'	3695.2'
B	620,049.7'	717,286.7'	3697.1'
C	619,709.7'	717,288.6'	3695.3'
D	619,708.3'	717,018.6'	3691.9'
E	620,151.3'	717,022.7'	3696.7'
F	620,135.9'	717,229.0'	3699.0'
G	620,083.5'	717,332.7'	3696.7'
H	619,961.3'	717,330.4'	3695.1'
I	619,813.9'	717,191.2'	3695.9'
J	619,810.4'	717,027.9'	3696.3'
K	620,299.7'	717,095.8'	3701.7'
L	620,300.7'	717,295.7'	3698.4'
M	620,000.8'	717,297.3'	3696.5'
N	619,999.7'	717,097.4'	3696.7'

DIRECTIONS TO LOCATION:

FROM THE INTERSECTION OF STATE ROAD 529 AND COUNTY ROAD 126, GO SOUTH ALONG COUNTY ROAD 126 8.2 MILES TO A LEASE ROAD, THENCE GO EAST ALONG LEASE ROAD 2.4 MILES, THEN GO NORTHERLY CONTINUING ALONG LEASE ROAD 1.2 MILES, THEN GO WEST CONTINUING ALONG LEASE ROAD 0.3 MILES, THEN GO NORTH ALONG ANOTHER LEASE ROAD 160 FEET TO THE WELL PAD.



EXISTING LEASE ROAD

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FED COM #3H - WELL PAD TOPO

SCARECROW 34 FED COM #3H

LOCATED 2210' FROM THE SOUTH LINE AND 330' FROM THE WEST LINE OF SECTION 34 TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M. EDDY COUNTY, NEW MEXICO

DATE OF SURVEY: APRIL 03, 2012 SHEET 1 of 1 SHEETS