

Surface Use Plan
Nadel and Gussman HEYCO. LLC
Young Deep #40H
Section 9, T19S, R32E
330' FSL & 660' FEL
Lea County, New Mexico

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 7 miles South of Maljamar, NM. From Intersection of St Hwy 529 and Co rd 126, Go south on Co rd 126 approx 2 miles. Turn left on lease rd. into Young Deep Unit, go East approx .8 miles. Turn right and go south at second intersection go approx .25 miles, at Young Deep Unit #28 well location turn left and go east 400ft to location.

2. Planned Access Roads:

398' of new road will be built to access this location (approximately 300' x 300' location) and will come in from the west from young Deep Unit #28 location. See attached plats of road and location.

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 see exhibit #6
- b. Electric poles will be set along side of new road from Young Deep Unit #28 Location, 3-4 poles total.

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 east 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:

None.

9. Wellsite Layout:

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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 made and a copy will be sent to the Carlsbad BLM office included in this application. 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.

Keith Cannon, Drilling Superintendent
Nadel and Gussman HEYCO, L.L.C.
P.O. BOX 1936
Roswell, NM 88202
(575) 623-6601

Jason Goss, Drilling Engineer

March 15, 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 15 day of March 2012.

Name: Jason Goss
Position: Drilling Engineer
Address: P.O. BOX 1936
Roswell NM 88202
Telephone: 575-623-6601
Email: jgoss@naguss.com

Signed: _____

