

Surface Use and Operations Plan

30-025-40909
HOBBS OCD

ESDU 27
172 FNL & 640 FWL
Sec. 19-T18S-R32E
Lea County, New Mexico

JAN 04 2013

RECEIVED

The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plans, the extent of surface disturbance, and the procedures associated with the remediation plan.

Existing and Proposed Roads

- a. Directions to location: From the junction of Hwy 529 and Maljamar road go south on Maljamar road 4.4 miles and turn west on lease road go 1.6 miles then turn east for 1560' then turn north to proposed pad.
- b. The Form C-102 and the attached maps show the well site, the aerial view, vicinity map, and elevation map.
- c. The Form C-102 and attached maps show the proposed well site as staked with the current and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. All new roads will be constructed to BLM specifications.

Planned Access Roads

- a. This location is being built off an existing lease road.
- b. Access to the location will be at the south west corner of the location north or the valve box to avoid the injection line.
- c. The access road will be limited to 20' in width and will adequately drain runoff and control erosion.

Location of Existing Wells within a one mile radius

The attached 1 mile radius map shows all existing wells within a one mile radius of the proposed location.

Location of Existing and/ or proposed facilities

- a. There are no production facilities on this location at the present time
- b. In the event that the well is productive, production will go to the Inca Battery connected through poly flow lines. Flow lines for the transport of wellbore fluids to the tank battery will follow lease roads.
- c. Power lines to supply electricity for artificial lift will tie into existing lines flowing existing roads.

- d. The attached map shows the proposed flowline and electric line paths to the Inca Battery. All flowlines will adhere to API standards.
- e. The interim reclamation diagram shows the dimensions of reclaimed after drilling and completion activities have ceases.

Location and Type of Water Supply

Water will be purchased locally from a commercial source and trucked over to the location access roads or piped to location in flexible lines laid on top of the ground.

Source of Construction Materials

If possible construction material will be obtained from the excavation of the drill site, if additional material is required it will be obtained from a local source and transported over the location access road. The construction contractor will be responsible for paying royalties on any additional materials required.

Methods of Handling Waste

- a. Drill cuts not used for evaluation purposes will be hauled off to approved disposal sites
- b. Water produced during operations will be sent to an approved SWD or injection well.
- c. If hydrocarbons are produced during operations, those liquids will be stored in suitable storage containers.
- d. Sewage from living quarters will be drained into holding tanks and will be cleaned out periodically. A porta-potty will be provided for the rig crews. This equipment will be properly maintained during operations and removed upon completion.
- e. All trash, junk and other waste material will be contained in trash cages or trash bins in order to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary land fill.

Ancillary Facilities

No camps or air strips will be constructed on this location.

Well Site Layout

- a. The rig layout diagram show the proposed well site layout with dimension of the well pad.
- b. The rig layout diagram shows the proposed location of the closed loop system and other essential components to the drilling rig.

Plans for restoration of Surface

- a. Upon completion of the proposed operations, if the well is abandoned the location and road will be ripped and reseeded. The entire location will be restored to its original

condition prior to the operation. All trash and garbage will be picked up and disposed of in an approved site. All restoration work will be completed within 180 days of cessation of activities.

- b. The disturbed area will be restored by re seeding during the proper growing season.
- c. Any additional caliche required will be obtained as described in section 6.
- d. Within 90 days of completion of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleared of all trash and junk to insure the location is left as aesthetically pleasing as possible.

Surface Ownership

- a. The surface is owned by United States Federal Government and managed the Bureau of Land Management.

Other Information

- a. The primary use of the surface at the location is for grazing livestock
- b. An archaeological survey has been requested and is in the process of being conducted on the proposed location.

Operator's Representative

Through APD approval, drilling, completion and production operations

Malcolm Kintzing
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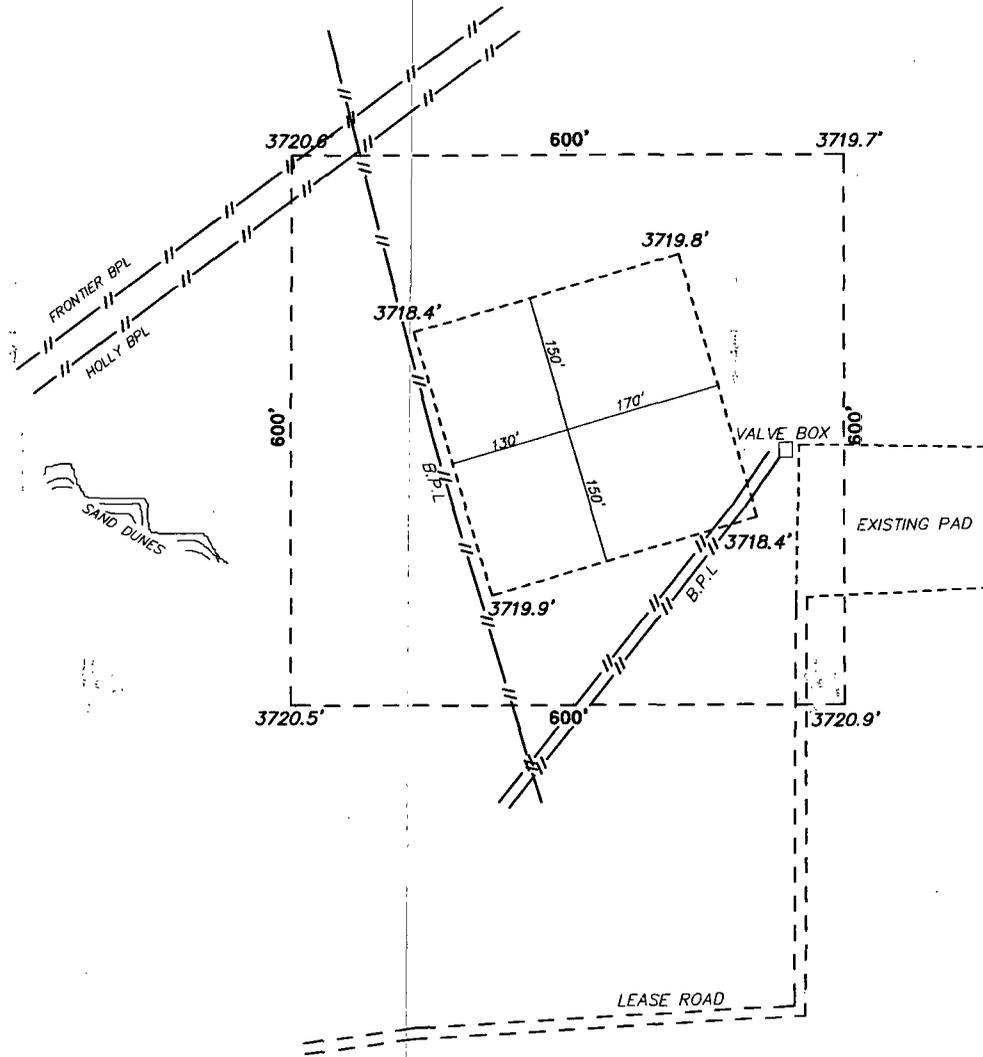
I hereby certify that I or persons under my supervision have inspected the proposed drill site and the access road routes, that I am familiar with the conditions that currently exist, and that the statements made in this plan are to the best of my knowledge are true and correct, and that the work associated with the operations proposed herein will be performed by SM Energy Company, its contractors or its sub-contractors in conformance with this plan and the terms and the conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C 1001 for filing of a false statement.

Signature: Malcolm Kintzing

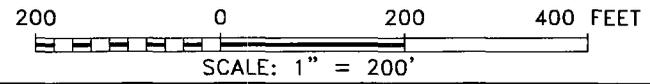
Date: 11/6/12

Malcolm Kintzing
SM Energy Company
3300 N. A St. 7-200
Midland, TX 79705
Office: 432.688.3125
Cell: 432.212.2628

SECTION 19, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



SM ENERGY
ESDU #27
ELEV. - 3720'
SURFACE LOCATION
Lat - N 32°44'23.51"
Long - W 103°48'44.35"
NMSPC - N 633288.6
E 701535.4
(NAD-83)

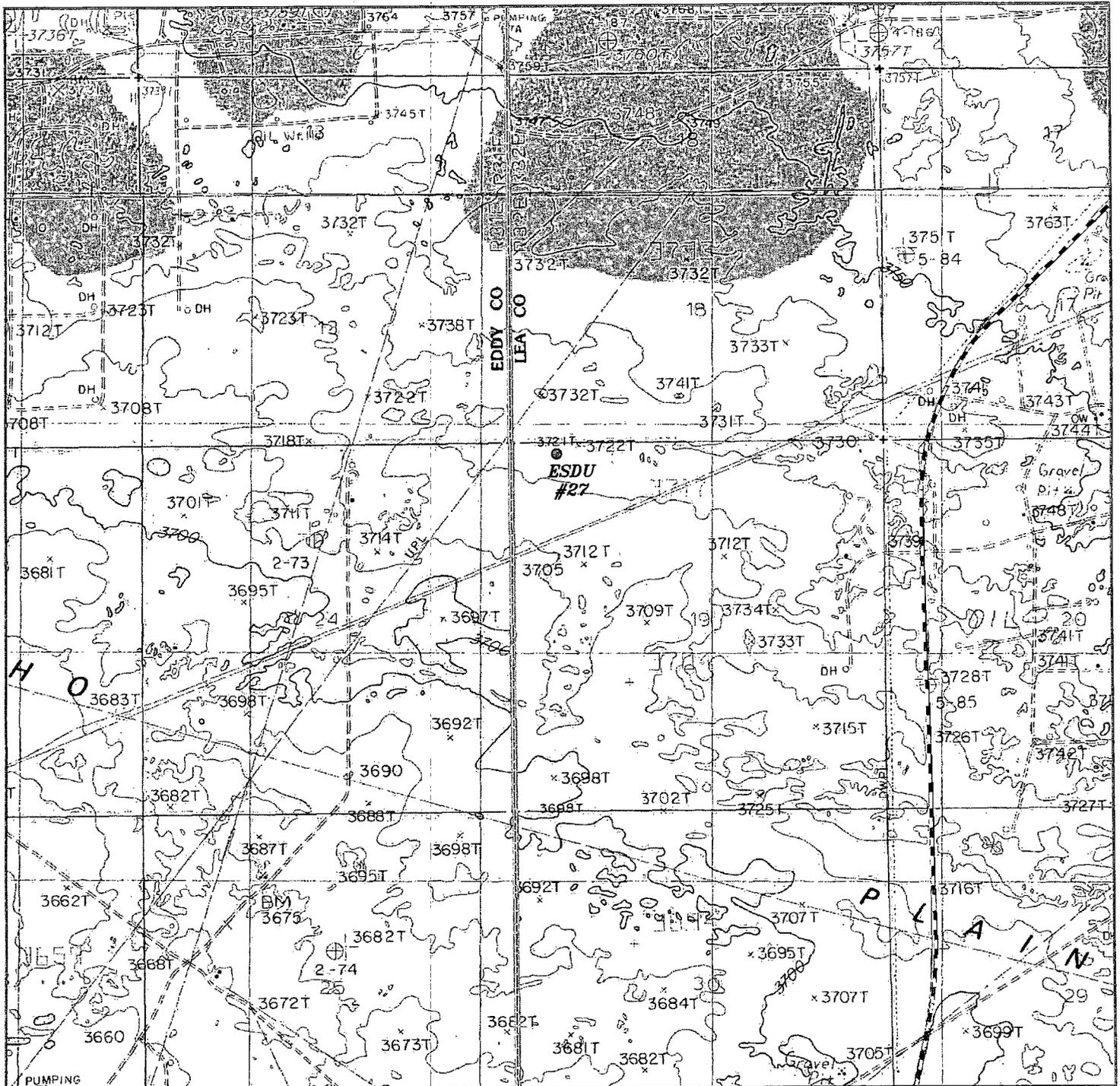


Directions to Location:

FROM THE JUNCTION OF HWY 529 AND MALJAMAR ROAD GO SOUTH ON MALJAMAR ROAD 4.4 MILES AND TURN WEST, PROCEED WEST SOUTH WEST FOR 1.6 MILES THEN TURN EAST FOR 1560' TURN NORTH TO PROPOSED PAD.

SM ENERGY	
REF: ESDU #27 / WELL PAD TOPO	
THE ESDU #27 LOCATED 172'	
FROM THE NORTH LINE AND 640' FROM THE WEST LINE OF	
SECTION 19, TOWNSHIP 18 SOUTH, RANGE 32 EAST,	
N.M.P.M., LEA COUNTY, NEW MEXICO.	
W.O. Number: 26807	Drawn By: D. JONES
Date: 02-27-2009	Disk: DAJ 26807
Survey Date: 06-12-2012	Sheet 1 of 1 Sheets

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



ESDU #27
 Located 172' FNL and 640' FWL
 Section 19, Township 18 South, Range 32 East,
 N.M.P.M., LEA County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: DAJ 26807

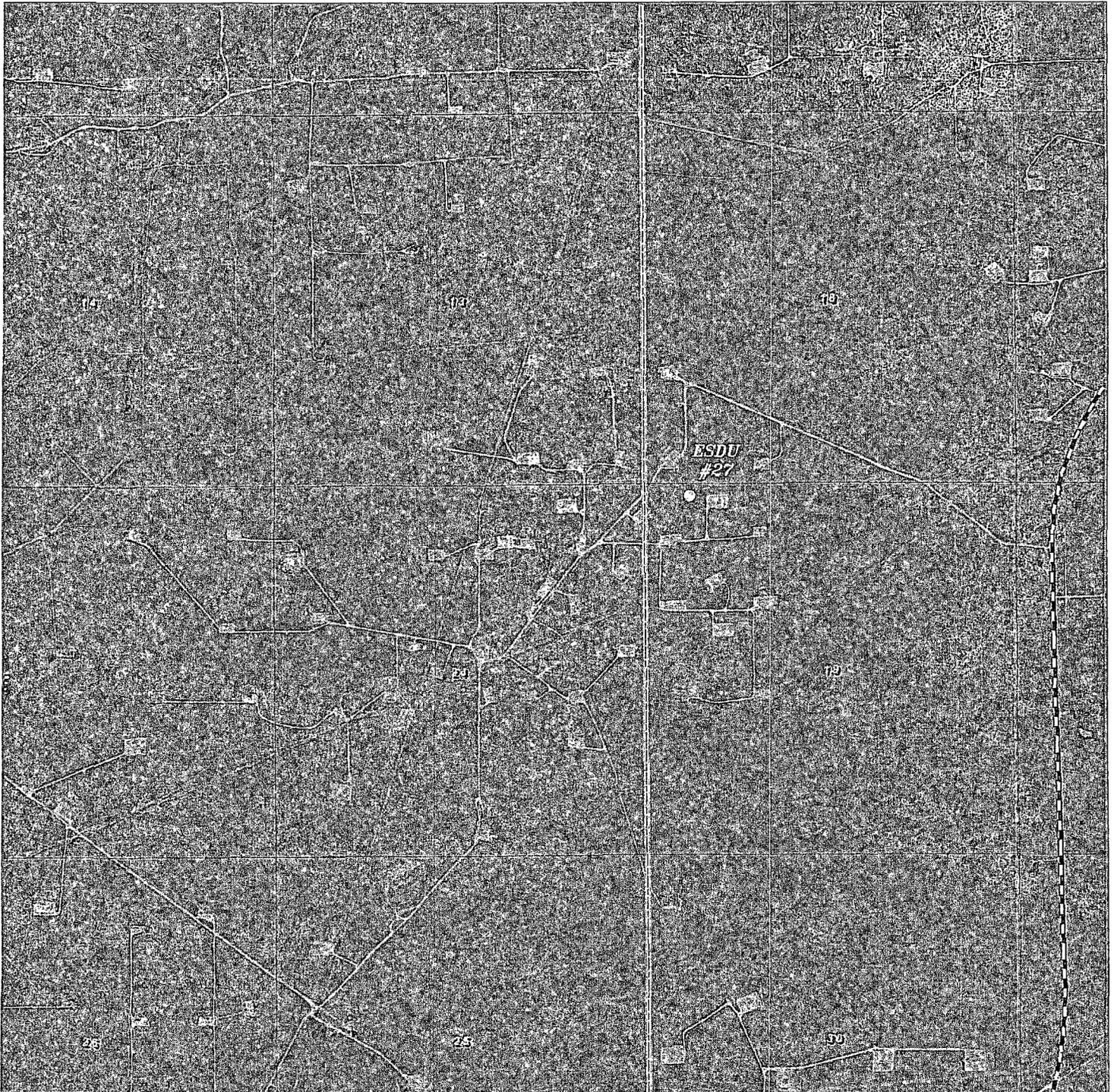
Survey Date: 06-12-2012

Scale: 1" = 2000'

Date: 06-13-2012



SM ENERGY



ESDU #27
 Located 172' FNL and 640' FWL
 Section 19, Township 18 South, Range 32 East,
 N.M.P.M., LEA County, New Mexico.

basin
surveys

focused on excellence
 in the oilfield

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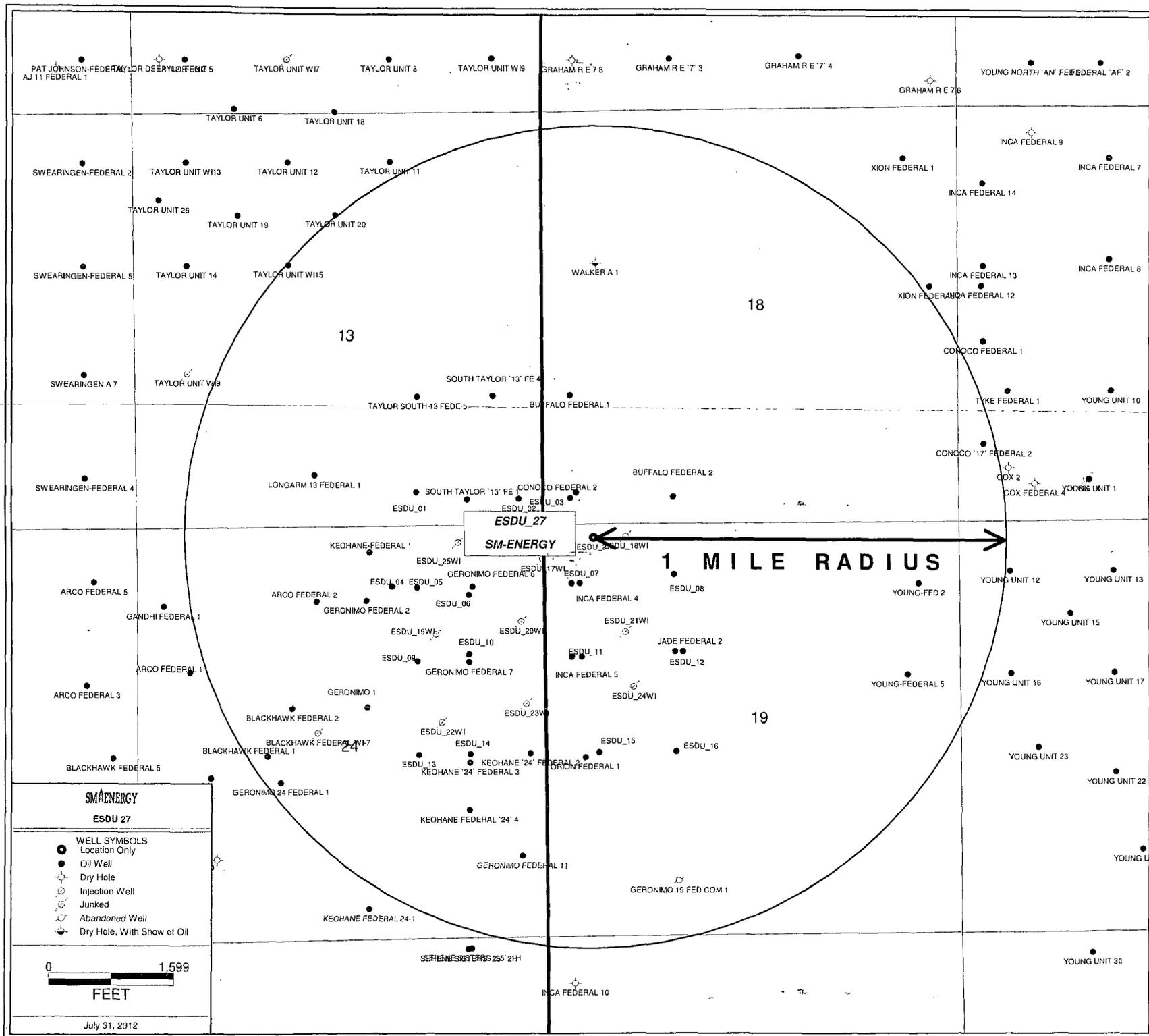
W.O. Number: DAJ 26807

Scale: 1" = 2000'

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



SM ENERGY



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ESDU 27

WELL SYMBOLS

- Location Only
- Oil Well
- Dry Hole
- Injection Well
- Junked
- Abandoned Well
- Dry Hole, With Show of Oil

0 1,599
FEET

July 31, 2012