

Surface Use Plan
Nadel and Gussman HEYCO, LLC
Federal 30 #3H
Section 30, T19S, R33E
330' FNL & 710' FEL
Lea County, New Mexico

HOBBS OCD

MAY 21 2014

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1. Existing Roads:

Exhibit 1 contains the surveys and a maps with proposed location and lease roads. Directions: from intersection of Co Rd 126A and State HWY 529 go south on Co. Rd 126A for 10 miles, turn left on to 'Speed Bump' road, travel east on Speed bump road for 5 miles, where speed bump turns north go south on lease road for 1.6 miles, turn right (Southwest) for 1000ft. At Y in road stay left for 450ft and turn left, take road to well.

2. Planned Access Roads:

No new road will be constructed on or off lease. Will use existing road to plugged Signal Ross #5. May add caliche material and blade existing lease road to Signal Ross #5 (~900ft)
See attached diagrams and plats.

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 will be installed, tank battery will be lined and burned. see tank battery exhibit

~~b. Will tie onto power poles that service Federal 30 #1 to south see attached plat of power lines, approx. 2800 feet of new electric line, 8 power poles. Lea County Electric will provide electricity.~~

Debate Keith Canyon has Requested no power 5/12/14 AJ

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 Northeast side of location (V-door side is Southeast) and will be used after drilling and completion operations to reduce location size on all sides and reclaim and reseeded to BLM specifications. See location map.

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

d. Closed loop system will be used. All drill solid waste will be transported to permitted disposal facility as outlined on C-144.

8. Ancillary Facilities:

None: will attempt to use offset operators frac ponds for stimulation.

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9. Wellsite Layout:

- a. EXHIBIT #4 shows the relative location and dimensions of the well pad and major rig components. V-door Southeast.
- b. The land is relatively flat with scattered vegetated sand dunes and sandy soil.
- c. The pad area has been staked and onsite has been conducted with the BLM on December 3, 2012

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 per BLM guidelines.

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 Qal/vegetated dunes, 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 will be conducted by Boone Arch. a copy will be sent to the Carlsbad BLM office. 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 HEYCO, LLC Company representatives responsible for ensuring compliance of the surface Use plan are listed below:

Keith Cannon, Drilling Superintendent

Jason Goss, Drilling Engineer

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