Surface Use Plan
Nadel and Gussman Permian, LLC
Sun McKay Federal #4H
Section 10, T19S, R32E
250' FNL & 330' FWL
Lea County, New Mexico

1. **Existing Roads:**
   Exhibit 1 contains the surveys and a map with proposed location and lease roads. The location is approximately 20 miles West of Hobbs, NM. From the intersection of county road 125 (Maljamar Rd.) and State Highway #243 go North approx. 7.9 miles, turn right and go East approx. 1.7 miles, turn right and go South approx. 0.6 miles, turn left and go East approx. 0.5 miles to the Southeast corner of the pad. Nadel and Gussman Permian, LLC will improve or maintain existing roads in a condition the same as or better than before operations began. Nadel and Gussman Permian will repair pot holes, clear ditches, etc. All existing structures on the entire access route will be repaired or replaced if they are damaged or have deteriorated beyond practical use, BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

2. **Planned Access Roads:**
   1244 feet of new road will be built access the Sun McKay Federal #4H from the Sun McKay federal #3H to the Southeast corner of the drilling pad, Drilling pad (approximately 375' x 400' location) will be constructed. See road plat. The maximum width of the driving surface will be 14 feet. The maximum width of surface disturbance needed to construct the road will be 25 feet. The road will be crowned and ditched with a 2 % slope from the tip of the crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. The driving surface will be made of 6" rolled and compacted caliche.

3. **Location of Existing Wells:**
   See 1 mile radius map, 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 (tanks, separator) would be built on location see battery diagram.

   b. NGP will use generator initially; will run electric at a later date if the well is commercial.

5. **Location and Types 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.

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6. **Sources of Construction Material:**
   Top soil will be stock piled on the West side of the 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.

   d. Closed loop solid control will be used. Drill solids waste will be collected in bins and hauled to permitted disposal facility in accordance with NM OCD rules.

8. **Ancillary Facilities:**
   Nadel and Gussman Permian will explore all options for obtaining water storage for stimulation and completion.

9. **Wellsite Layout**
   a. Rig Plat shows the relative location and dimensions of the well pad and major rig components.

   b. The land is relatively flat with no dunes.

   c. The pad area has been staked.

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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. **Surface Ownership:**
    a. The surface owner of the well pad and road is The United States of America.

12. **Other Information:**
    a. The mineral and surface owner is the Federal Government, Grazing lease owner is Kenneth Smith Inc., they will be contacted

    b. An onsite was conducted on July 8, 2014 with Amanda Lynch of the BLM.

    c. The topography consists of sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.

    d. There are no ponds, lakes, or rivers in this area.

    e. An Archaeological Survey will be 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.

    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

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Section 10, T19S, R32E
250' FNL & 330' FWL
Lea County, New Mexico

13. **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

August 18, 2014

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, Texas 79701

August 4, 2014

UNITED STATES DEPARTMENT OF INTERIOR
Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220

RE: STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease Name: Sun McKay Federal #4H

Lease Number: Federal Lease NMNM 12413A

Legal Description of Land: S10, T-19-S R-32-E

Lease Covers: NMNM 12413A: All of Sec. 10, being 640 acres

Formations: Bone Springs

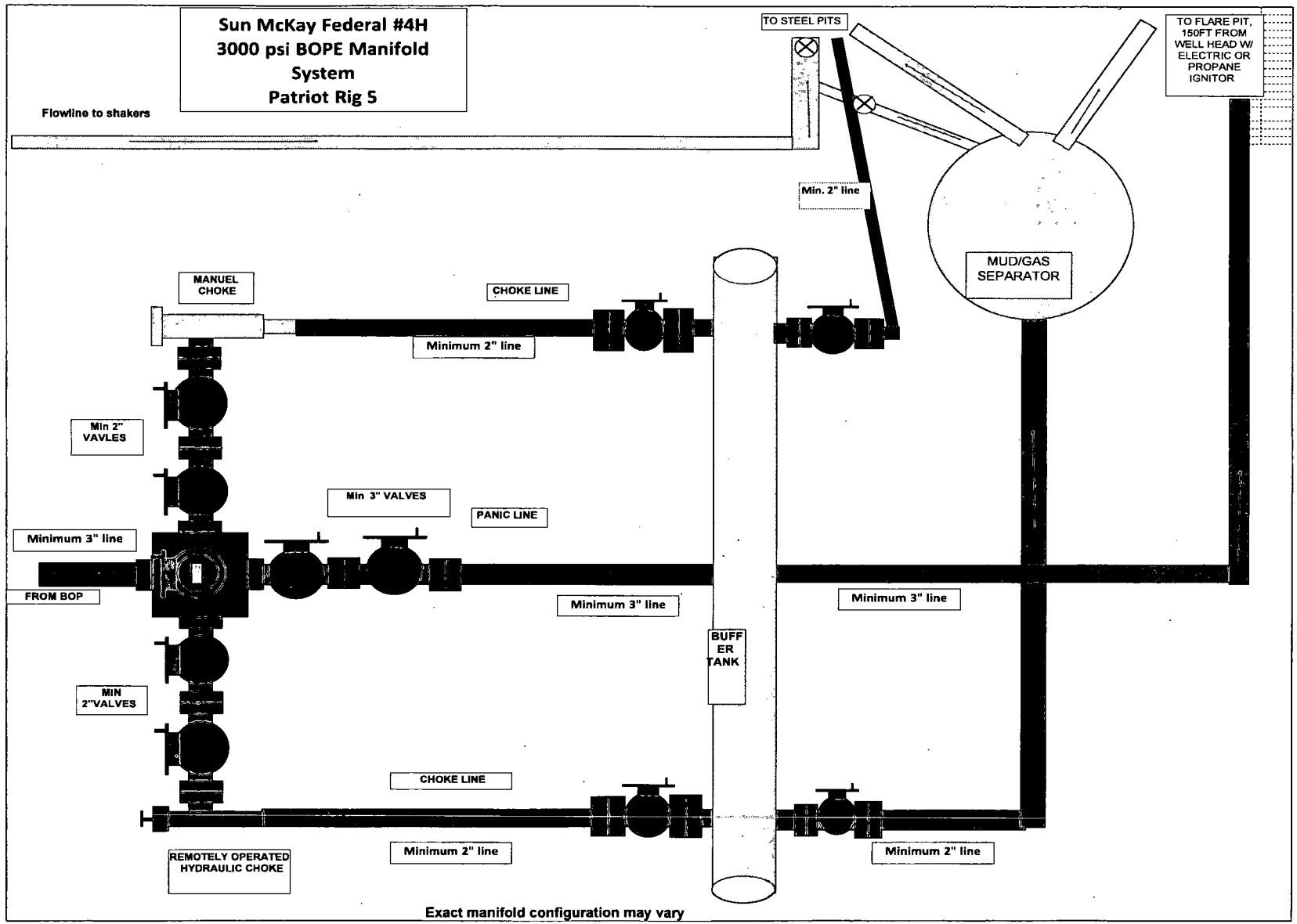
Bond Coverage: Blanket Statewide

BLM Bond File Number: NM2812

Surface Ownership: Federal

Grazing Lease: Kenneth Smith, Smith Ranches, 267 Smith Ranch Rd. Hobbs NM 88240

Jason Goss
Drilling Engineer


Sun McKay Federal #4H
3000 psi BOPE Manifold
System
Patriot Rig 5
Flowline to shakers
TO STEEL PITS
TO FLARE PIT, 150FT FROM WELL HEAD W/ ELECTRIC OR PROPANE IGNITOR
Min. 2" line
MUD/GAS SEPARATOR
MANUEL CHOKE
CHOKE LINE
Minimum 2" line
Min 2" VAVLES
Min 3" VALVES
PANIC LINE
Minimum 3" line
FROM BOP
Minimum 3" line
Minimum 3" line
BUFF ER TANK
MIN 2"VALVES
CHOKE LINE
REMOTELY OPERATED HYDRAULIC CHOKE
Minimum 2" line
Minimum 2" line
Exact manifold configuration may vary

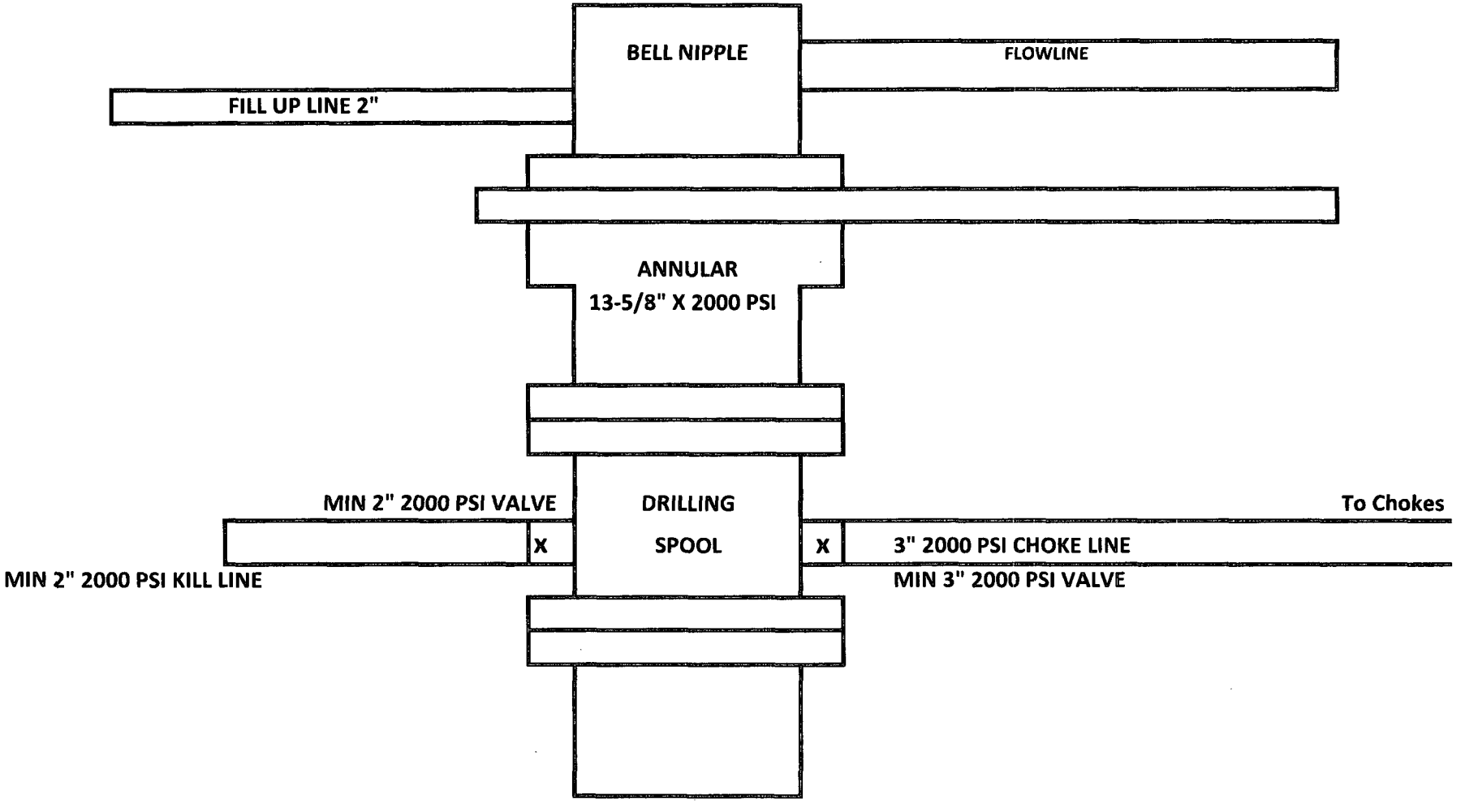
Well: Sun McKay Federal #4H

250' FNL, 330' FWL, Sec. 10, 19S, 32E

Lea County, New Mexico

Nadel and Gussman Permian, L.L.C.

BOP Scematic 12.25" hole



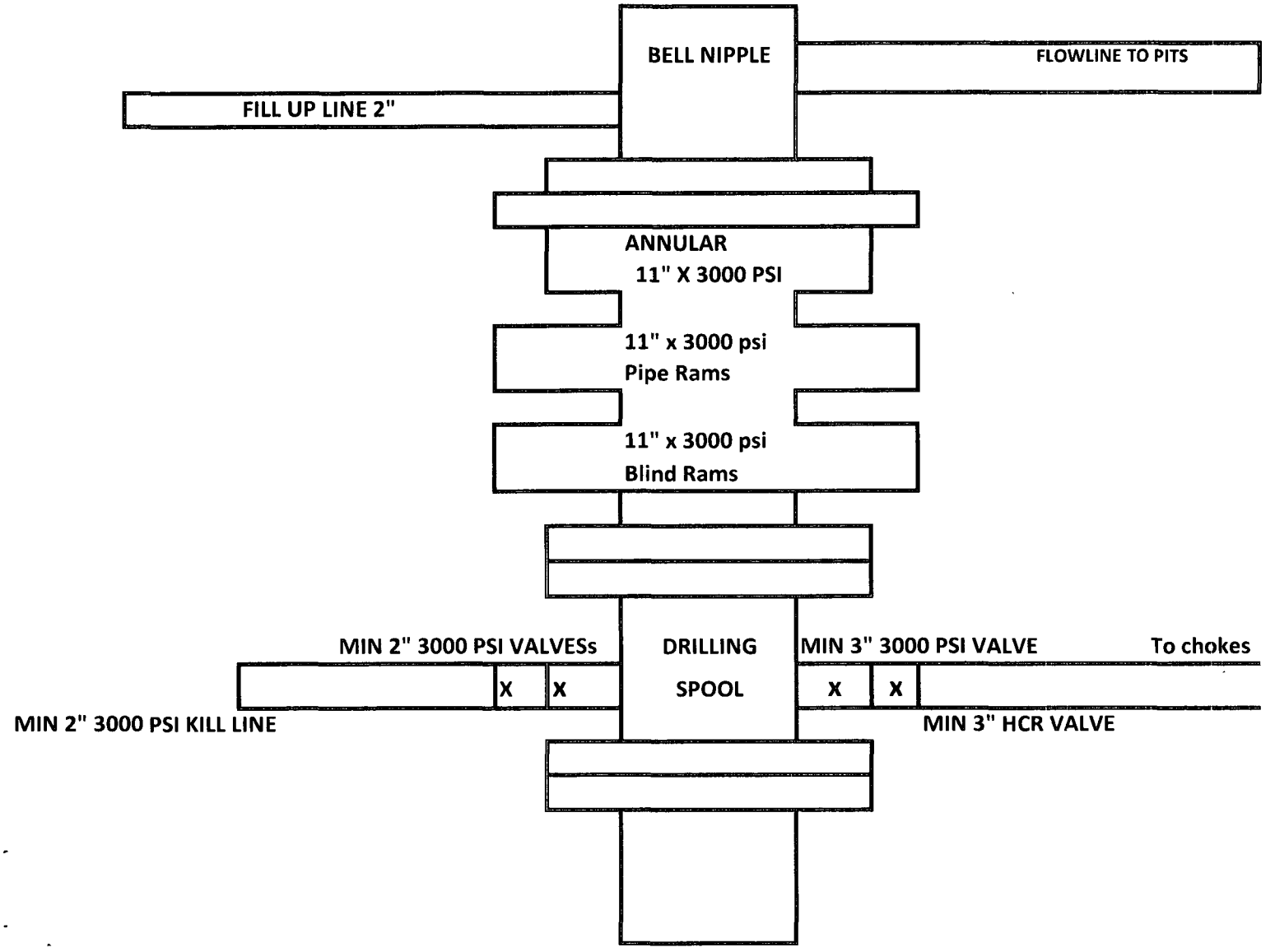
Well: Sun McKay Federal #4H

250' FNL, 330' FWL, Sec. 10, 19S, 32E

Lea County, New Mexico

Nadel and Gussman Permian, L.L.C.

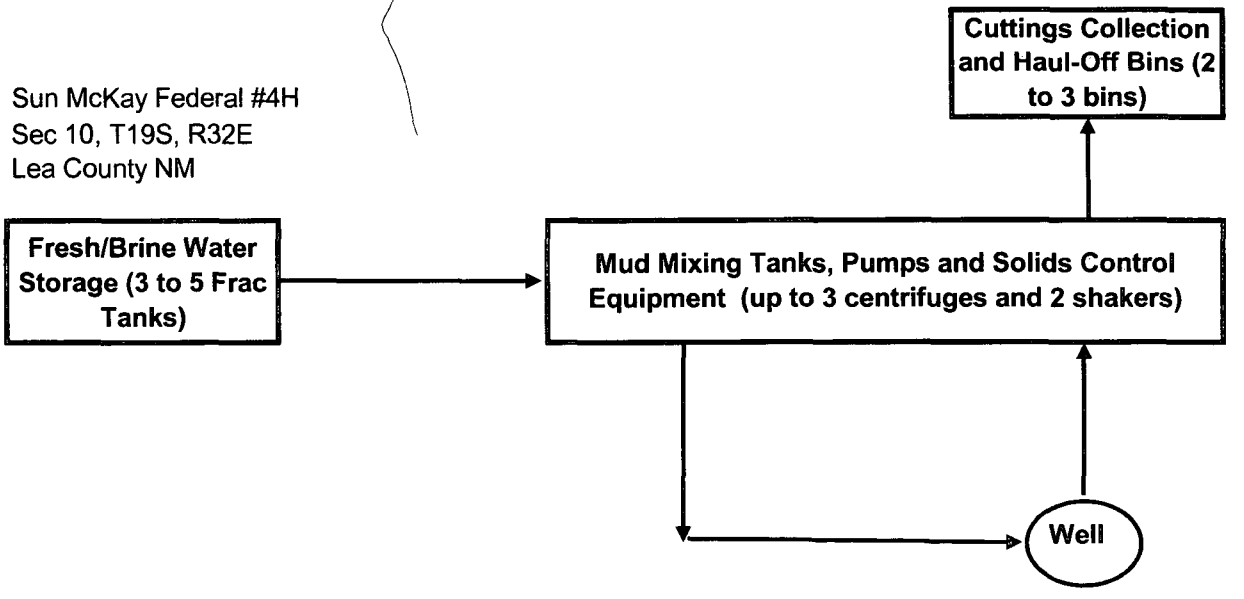
BOP Scematic 8.75" & 7.875" hole



CLOSED-LOOP SYSTEM

Design Plan:

Sun McKay Federal #4H
Sec 10, T19S, R32E
Lea County NM



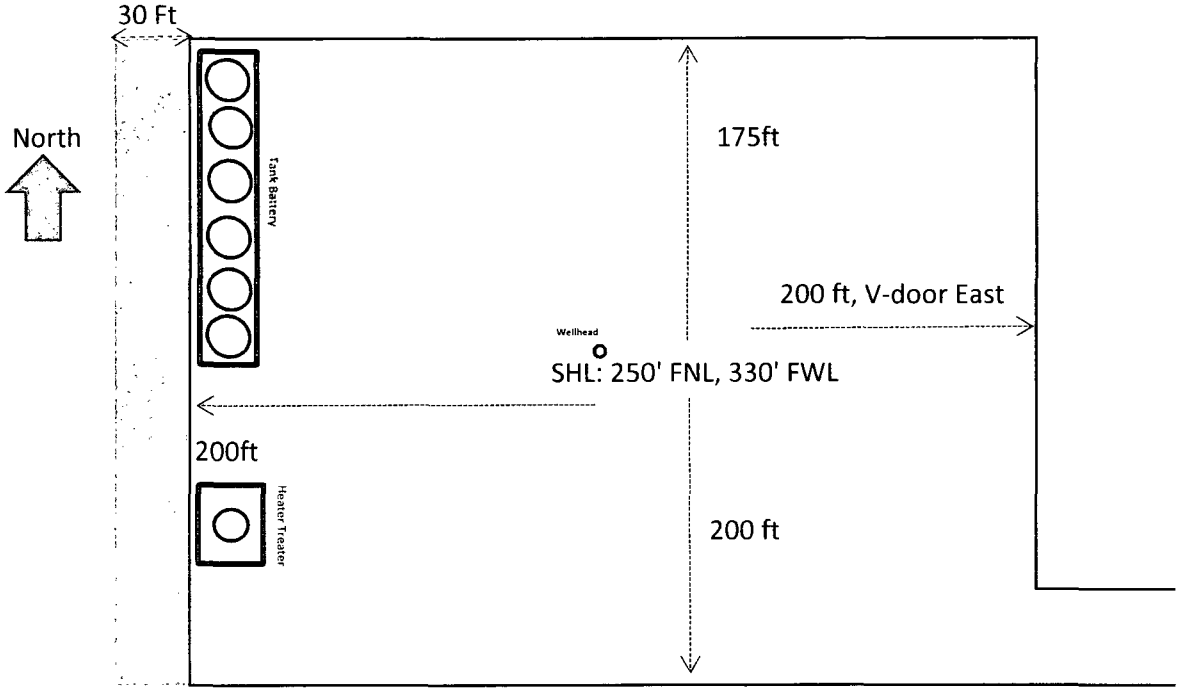
Operating and Maintenance Plan:

During drilling operations, third party service companies will utilize solids control equipment to remove cuttings from the drilling fluid and collect it in haul-off bins. Equipment will be closely monitored at all times while drilling by the derrick man and the service company employees.

Closure Plan:

During drilling operations, third party service companies will haul-off drill solids and fluids to an approved disposal facility. At the end of the well, all closed loop equipment will be removed from the location.

LOCATION/BATTERY DIAGRAM
Sun McKay Federal #4H
Section 10, T-19-S, R-32-E, Lea County, NM



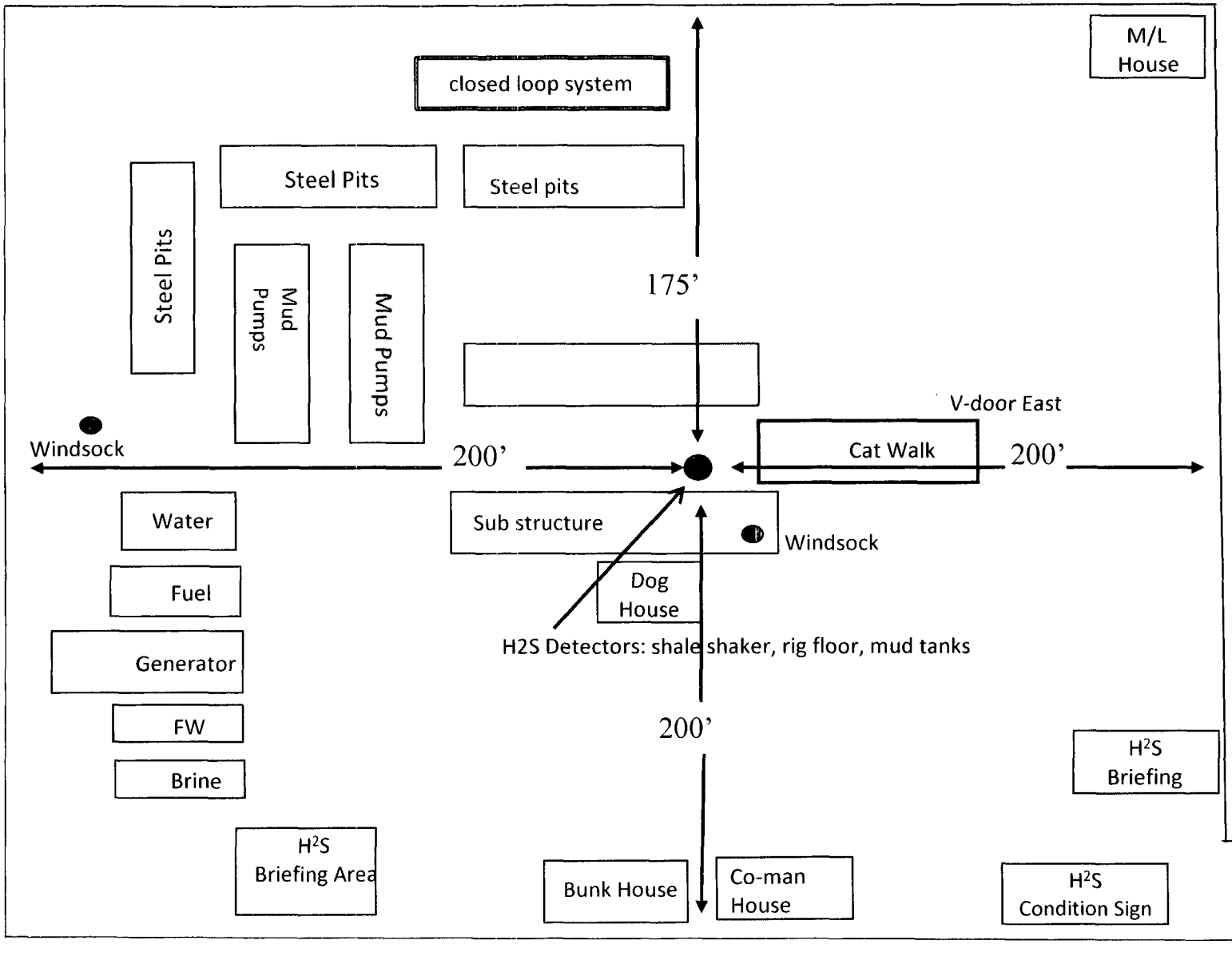
If well is found productive a tank battery will be constructed
Battery will be burmed and lined approx. 3-500 bbls oil tanks &
3-500 bbl water tanks
Gray area to be reclaimed and seeded to BLM Regulations
Push top soil to west side and stocked piled for later use

Use generator intially; will run electric at a later date if well is commercial

Closed loop system will but up to the steel pits.
Secondary egress: North to lease road

Prevailing wind out of SW

RIG 5
Patriot Drilling



North

terrain: sandy soil with some flat terrain, graze land, scattered dunes

Sun McKay
Federal #4H
Sec. 10, T19S, R32E
Lea County NM

Location road

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. MARIENFELD STE. 508
MIDLAND, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

August 4, 2014

Mr. Ingram
Carlsbad BLM Field Office
620 E. Greene St.
Carlsbad, NM 88220

Re: Sun McKay Federal #4H
SHL: 250' FNL & 330' FWL UL D
Sec. 10, T19S, R32E
Lea County, NM
Rule 118 H2S Exposure

Dear Mr. Ingram,

Nadel and Gussman Permian, LLC have evaluated this well and we do not expect to encounter hydrogen sulfide. However, we will employ a third party monitoring system. We will begin monitoring prior to drilling out the surface casing and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Jason Goss
Drilling Engineer