

Surface Use Plan
Nadel and Gussman Permian, LLC
Tonto Federal Com #2H
Section 32, T19S, R33E
1865' FSL & 2276' FEL
Lea County, New Mexico

HOBBS OCD

OCT 27 2016

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1. Existing Roads:

Exhibit 1 contains the surveys and a map with proposed location and lease roads. The location is approximately 17 miles South of Malaga, NM. From the intersection of U.S. Highway 62-180 and Smith Ranch Road, go Northwest on Smith Ranch Road for Approx. 2 Miles. Turn left and go West on main lease road 3.2 miles. Then North approx. 0.8 miles. Turn left at lease road and go .1 mile to this location on an existing well pad for the Tonto State #1H. 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:

Tonto Federal Com #2H is located on the well pad for the Tonto State #1H and a road exists to this location.

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 a generator initially then attempt to connect to electric supply at a later date.

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 slightly sandy soil and light vegetation.
- 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. All interim reclamation will be complete within 6 months of completion activities.
- d. If well is to be plugged and abandoned the entire pad and road not needed will be reclaimed. Base material will be hauled and top soil will be re-contoured to natural state and seeded. Seed mixture will be to BLM specifications. All work will be complete within 6 months of final abandonment of the wellbore.

11. Surface Ownership:

- a. The surface owner of the well pad is the State of New Mexico. The surface owner of the road is the State of New Mexico.

12. Other Information:

- a. The mineral and surface owner in Section 32-T19S-R32E is the State of New Mexico. The mineral and surface owner in Section 33-T19S-R32E the Federal Government, Grazing lease owner is Kenneth Smith Inc., 267 Smith Ranch Rd., Hobbs, NM 88240
- b. An onsite was conducted on May 20, 2014 with Amanda Lynch.
- c. 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.
- d. Laguna Tonto is approx. 0.3 miles East of the surface location.
- 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

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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

July 2, 2014

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 16th day of June 2014.

Name: Jason Goss

Position: Drilling Engineer

Address: 601 N. Marienfeld Suite 508

Telephone: 432-682-4429

Email: jgoss@naguss.com

Signed: _____

