EOG RESOURCES, INC.
CABALLO 23 FED 1H

30-025-40050

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HOBBSOCD

SURFACE USE PLAN OF OPERATION

SHL: 50' FNL & 440' FWL, Unit D, Section 23, T25S-R33E, N.M.P.M., Lea, NM
BHL: 330' FSL & 440' FWL, Unit M, Section 23, T25S-R33E, N.M.P.M., Lea, NM

1. EXISTING ROADS:

   a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. The well was staked by Terry Asel, RPL 15079.
   b. All roads into the location are depicted on Exhibits 2, 2a and 5.
   c. Directions to Locations: Beginning in Jal, NM at the intersection of N.M. State Hwy 128 and Hwy 18, go west on Hwy 128 for 14.1 miles to County Road #2 (Battle Ax Road), turn left and go southwest on County Road #2 for 0.3 miles, turn right and go west for 1.6 miles, turn left and go south for 1.0 miles, turn right and go west for 0.5 miles, turn left and go south/southwest for 7.0 miles, turn right off County Road #2 and go northwest on lease road for 3.6 miles, turn right and go west on proposed road for 229.9 feet to location.

2. NEW OR RECONSTRUCTED ACCESS ROAD:

   a. The well site layout, Exhibit 2a shows the layout. A new access road will be constructed a distance of (229.9') of compact caliche as depicted per Exhibit 5.
   b. The maximum width of the road will be 15'. It will be crowned and made of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent soil erosion.
   c. Surface material will be native caliche. This material will be obtained from a BLM approved pit nearest in proximity to the location. The average grade will be approximately 1%.
   d. No cattleguards, gates or fence cuts will be required. No turnouts are planned.

3. LOCATION OF EXISTING WELLS:

   Exhibit #3 shows all existing wells within a one-mile radius of this well.

4. LOCATION OF EXISTING AND/OR PROPOSED PRODUCTION FACILITIES:

   a. In the event the well is found to be productive, the necessary production equipment will be installed on location as depicted by the Production Facility Layout. This well location will serve as the Central Tank Battery for all "Caballo" well locations.
   b. As a proposed oil well, operator shall construct a power line as depicted by Exhibit 5. The proposed power line is entirely on the Federal Lease.

c. All Pipelines will adhere to API standards. Applicant will lay a 4" surface poly Gas Sales Pipeline, a 4"surface poly Gas Lift Pipeline and two (2) 4" surface poly SWD pipelines; The Gas Sales pipeline is depicted on Exhibit 5. Because the tie-in points are unknown at this time for the SWD Pipelines and the Gas Lift Pipeline, applicant will submit a sundry notice at a later date with survey plats depicting the centerline of the pipelines. If Right of Way is required, applicant will submit a SF-299 to the Realty Group.
d. Refer to b above.
e. If the well is productive, rehabilitation plans are as follows:
   i. The location shall be reduced on the North and West Sides of the location as depicted by the Production Facilities Layout. The interim reclamation will be performed when optimal conditions exist during the growing season as per the interim reclamation guidelines of the BLM.
   ii. The original topsoil from the well site will be returned to the location. The location will be contoured as close as possible to match the original topography.

5. LOCATION AND TYPE OF WATER SUPPLY:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using existing and proposed roads shown in Exhibit 2, 2a and 5. On occasion, water will be obtained from existing water wells. In these cases where a poly pipeline is used to transport water for drilling purposes, proper authorizations will be secured. If poly pipeline is used to transport fresh water to the location, proper authorization will be secured by the contractor.

6. CONSTRUCTION MATERIALS

Obtaining Mineral Material – Caliche utilized for the drilling pad and proposed access road will be obtained either from an existing approved pit, or by benching into a hill which will allow the pad to level with existing caliche from cut, or extracted by "flipping" the location. A caliche permit shall be obtained from the BLM prior to excavating any caliche on Federal Lands. Amount will vary for each pad. The procedure for "flipping" the location is as follows:

1. An adequate amount of topsoil for final reclamation will be stripped from the well location surface and stockpiled along the edge of the location as shown in the well site layout.
2. An area will be used within the proposed well site to excavate caliche.
3. The subsoil will then be removed and stockpiled within the footages of the well location.

4. Once caliche/mineral material is found, the material will be excavated and stockpiled within the footages of the well location.
5. The subsoil will then be placed back in the excavated hole.
6. Caliche/mineral material will then be placed over the entire pad and/or road to be compacted.

In the event that caliche is not found on site, a permit will be acquired if caliche is obtained from a BLM approved caliche pit

7. METHODS OF HANDLING WASTE MATERIALS

a. Drill cuttings shall be disposed of in a steel cuttings bin (catch tanks) on the drilling pad (behind the steel mud tanks). The bin and cuttings shall be hauled to an approved cuttings dumpsite.
   At the site, the cuttings shall be removed from the bin & the bin shall be returned to the drilling site for reuse.
b. All trash, junk, and other waste material shall be contained in trash cages or trash bins to prevent scattering. When a job is completed, all contents shall be removed and disposed of in an approved landfill.
c. The supplier, including broken sacks, shall pick up salts remaining after completion of well.
d. If necessary, a porto-john shall be provided for the rig crews. This equipment shall be properly maintained during the drilling and completion operations and shall be removed when all operations are complete.
e. Remaining drilling fluids shall be hauled off by transports to a state approved disposal site. Water produced during completion shall be put in storage tanks and disposed of in a state approved disposal. Oil and condensate produced shall be put in a storage tank and sold.
f. Disposal of fluids to be transported by the following companies:
   i. RGB TRUCKING
   ii. LOBO TRUCKING
   iii. I & W TRUCKING
   iv. CRANE HOT OIL & TRANSPORT
   v. JWS
   vi. QUALITY TRUCKING

8. ANCILLARY FACILITIES:

a. No airstrip, campsite, or other facilities will be built.

9. WELL SITE LAYOUT:

a. Exhibit 4 shows the proposed location of reserve and sump pits, living facilities and well site layout with dimensions of the pad layout.

b. Mud pits in the active circulating system shall be steel pits and the catch tanks shall be steel tanks set in shallow sumps behind the steel circulating tanks and sumps.
c. The area where the catch tanks are placed shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.

10. PLANS FOR SURFACE RECLAMATION:

a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche shall be removed from the pad and transported to the original caliche pit or used for other drilling locations and roads. The road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations. The catch tank area shall be broken out and leveled after drying to a condition where these are feasible. The original topsoil shall again be returned to the pad and contoured, as close as possible, to the original topography.
b. After the well is plugged and abandoned, the location and road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.
c. If the well is deemed commercially productive, the catch tank area shall be restored as described in 4(e)(i). Caliche from areas of the pad site not required for operations shall be reclaimed. The original topsoil shall be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad shall be contoured, as close as possible, to match the original topography.

11. SURFACE OWNERSHIP

The surface is owned by the Bureau of Land Management. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas.

12. OTHER INFORMATION:

a. The area surrounding the well is mesquite and tar brush. The topsoil is sandy in nature. The vegetation is moderately sparse with native prairie grass, cactus and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, birds and rodents transverse the area.
b. There are not dwellings within 2 miles of location.

c. Applicant will participate in the MOA.

13. BOND COVERAGE:

a. Bond Coverage is Nationwide; Bond No. NM 2308

COMPANY REPRESENTATIVES:

Representatives responsible for ensuring compliance of the surface use plan are listed below:

Land and Right of Way

Mr. Donny G. Glanton
Senior Lease Operations ROW Representative
EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(432) 686-3642 Office
(432) 770-0602 Cell

Drilling

Mr. Steve Munsell
Drilling Engineer
EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(432) 686-3609 Office
(432) 894-1256 Cell

Operations

Mr. Howard Kemp
Production Manager
EOG Resources, Inc
P.O. Box 2267
Midland, TX 79702
(432) 686-3704 Office
(432) 634-1001 Cell

Regulatory

Mr. Stan Wagner
Regulatory Analyst
EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(432) 686-3689 Office

OPERATOR CERTIFICATION

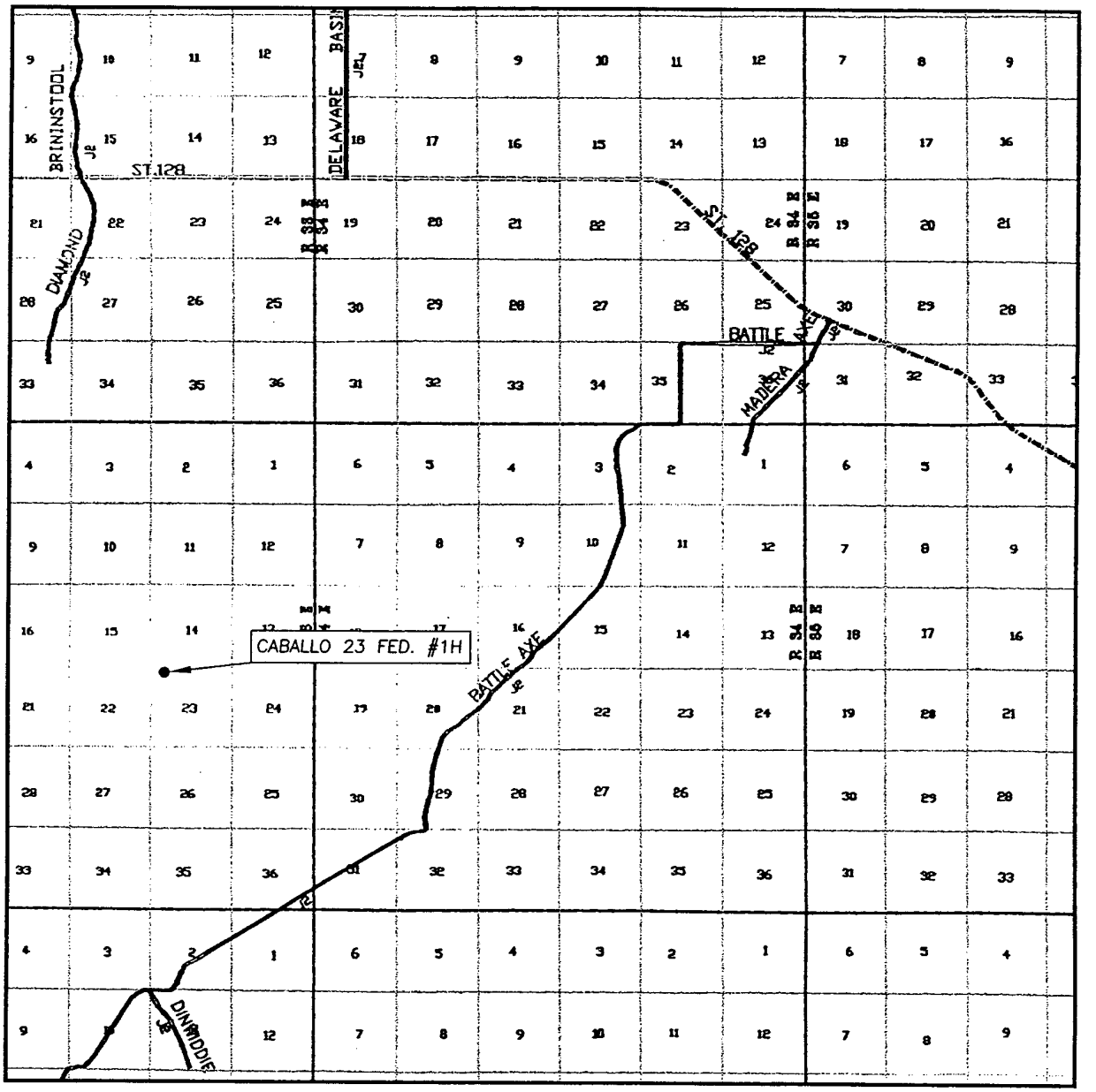
I certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal Laws applicable to this operation; that the statements made in this APD 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 this 21st day of October 2010.

Name: Donny G. Glanton
Position: Sr. Lease Operations ROW Representative
Address: P.O. Box 2267 Midland, TX 79705
Telephone: 432-686-3642
Email: donny_glanton@eogresources.com

Signed: Donny G. Glanton

Exhibit 2

VICINITY MAP



SEC. 23 TWP. 25-S RGE. 33-E
SURVEY N.M.P.M.
COUNTY LEA
DESCRIPTION 50' FNL & 440' FWL
ELEVATION 3342.5'
OPERATOR EOG RESOURCES, INC.
LEASE CABALLO 23 FED. #1H

SCALE: 1" = 2 MILES

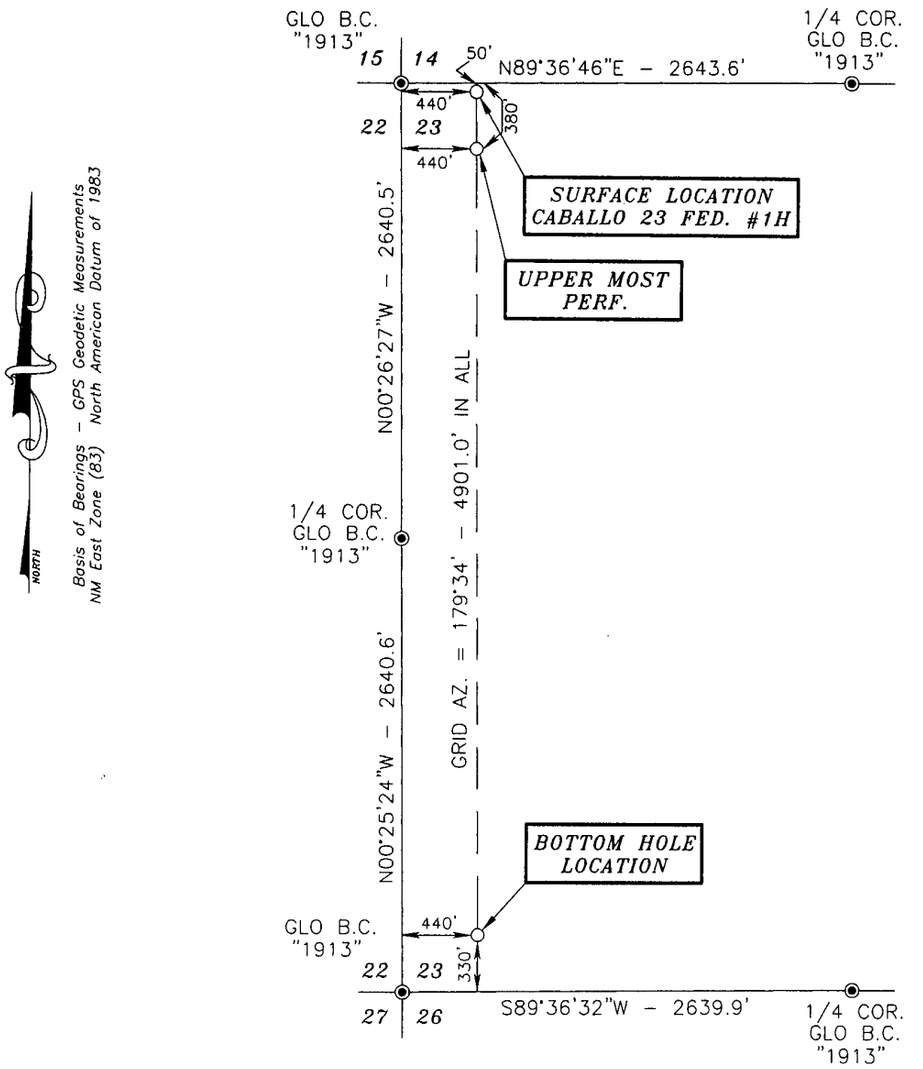
Asel Surveying

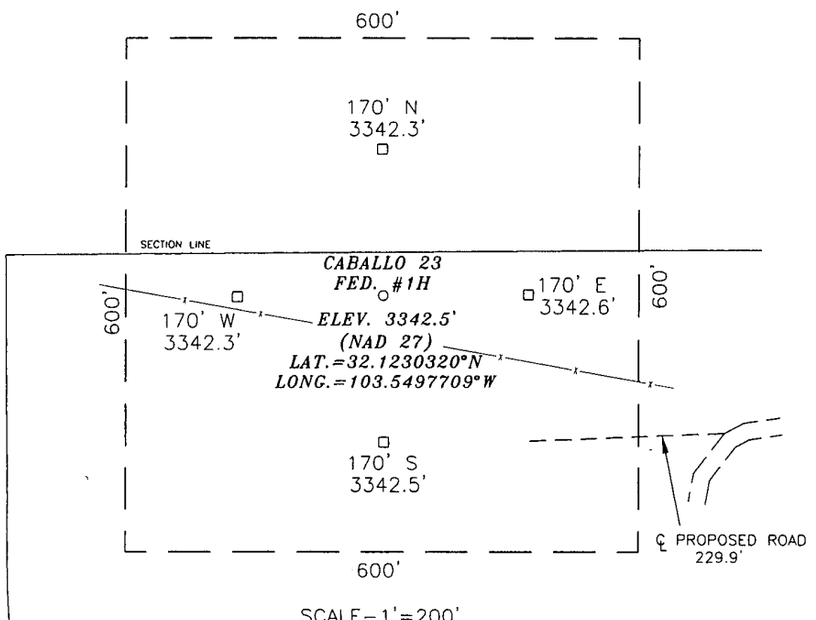
P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

DIRECTIONS BEGINNING IN JAL AT THE INTERSECTION OF N.M. STATE HWY. #18 AND N.M. STATE HWY. #128, GO WEST ON N.M. STATE HWY. #128 FOR 14.1 MILES TO COUNTY ROAD #2 (BATTLE AXE ROAD), TURN LEFT AND GO SOUTHWEST FOR 0.3 MILES, TURN RIGHT AND GO WEST FOR 1.6 MILES, TURN LEFT AND GO SOUTH FOR 1.0 MILES, TURN RIGHT AND GO WEST FOR 0.5 MILES, TURN LEFT AND GO SOUTH/SOUTHWEST FOR 7.0 MILES, TURN RIGHT OFF COUNTY ROAD #2 AND GO NORTHWEST ON LEASE ROAD FOR 3.6 MILES, TURN RIGHT AND GO WEST ON PROPOSED ROAD FOR 229.9 FEET TO LOCATION.

Exhibit 2a

SECTION 23, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY NEW MEXICO





SCALE - 1"=200'

DIRECTIONS:
BEGINNING IN JAL AT THE INTERSECTION OF N.M. STATE HWY. #18 AND N.M. STATE HWY. #128, GO WEST ON N.M. STATE HWY. #128 FOR 14.1 MILES TO COUNTY ROAD #2 (BATTLE AXE ROAD), TURN LEFT AND GO SOUTHWEST FOR 0.3 MILES, TURN RIGHT AND GO WEST FOR 1.6 MILES, TURN LEFT AND GO SOUTH FOR 1.0 MILES, TURN RIGHT AND GO WEST FOR 0.5 MILES, TURN LEFT AND GO SOUTH/SOUTHWEST FOR 7.0 MILES, TURN RIGHT OFF COUNTY ROAD #2 AND GO NORTHWEST ON LEASE ROAD FOR 3.6 MILES, TURN RIGHT AND GO WEST ON PROPOSED ROAD FOR 229.9 FEET TO LOCATION.

LEGEND

◉ - DENOTES FOUND MONUMENT AS NOTED

1000' 0 1000' 2000' FEET

SCALE: 1"=1000'

SURVEYORS CERTIFICATE

I, TERRY J. ASEL, NEW MEXICO PROFESSIONAL SURVEYOR NO. 15079, DO HEREBY CERTIFY THAT I CONDUCTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND MEETS THE "MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO" AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND SURVEYORS.

Terry J. Asel 10/15/2010

Terry J. Asel / N.M. R.P.S. No. 15079

TERRY J. ASEL NEW MEXICO 15079 REGISTERED PROFESSIONAL LAND SURVEYOR

Asel Surveying

P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

EOG RESOURCES, INC.

CABALLO 23 FED. #1H LOCATED AT 50' FNL & 440' FWL IN SECTION 23, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO

Survey Date: 10/07/10	Sheet 1 of 1 Sheets	
W.O. Number: 101007WL-a	Drawn By: KA	Rev:
Date: 10/13/10	101007WL-a	Scale:1"=1000'

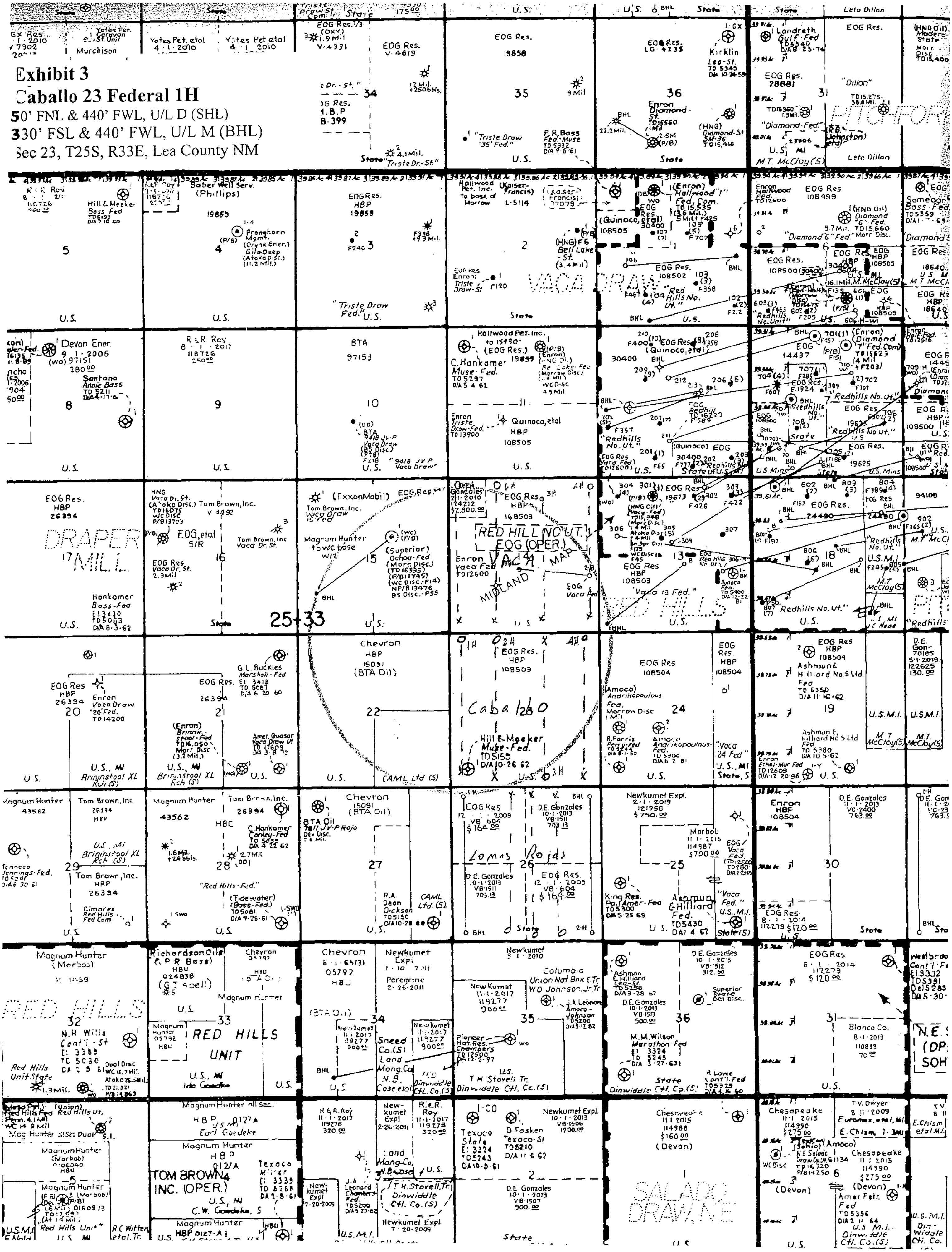
Exhibit 3

Caballo 23 Federal 1H

50' FNL & 440' FWL, U/L D (SHL)

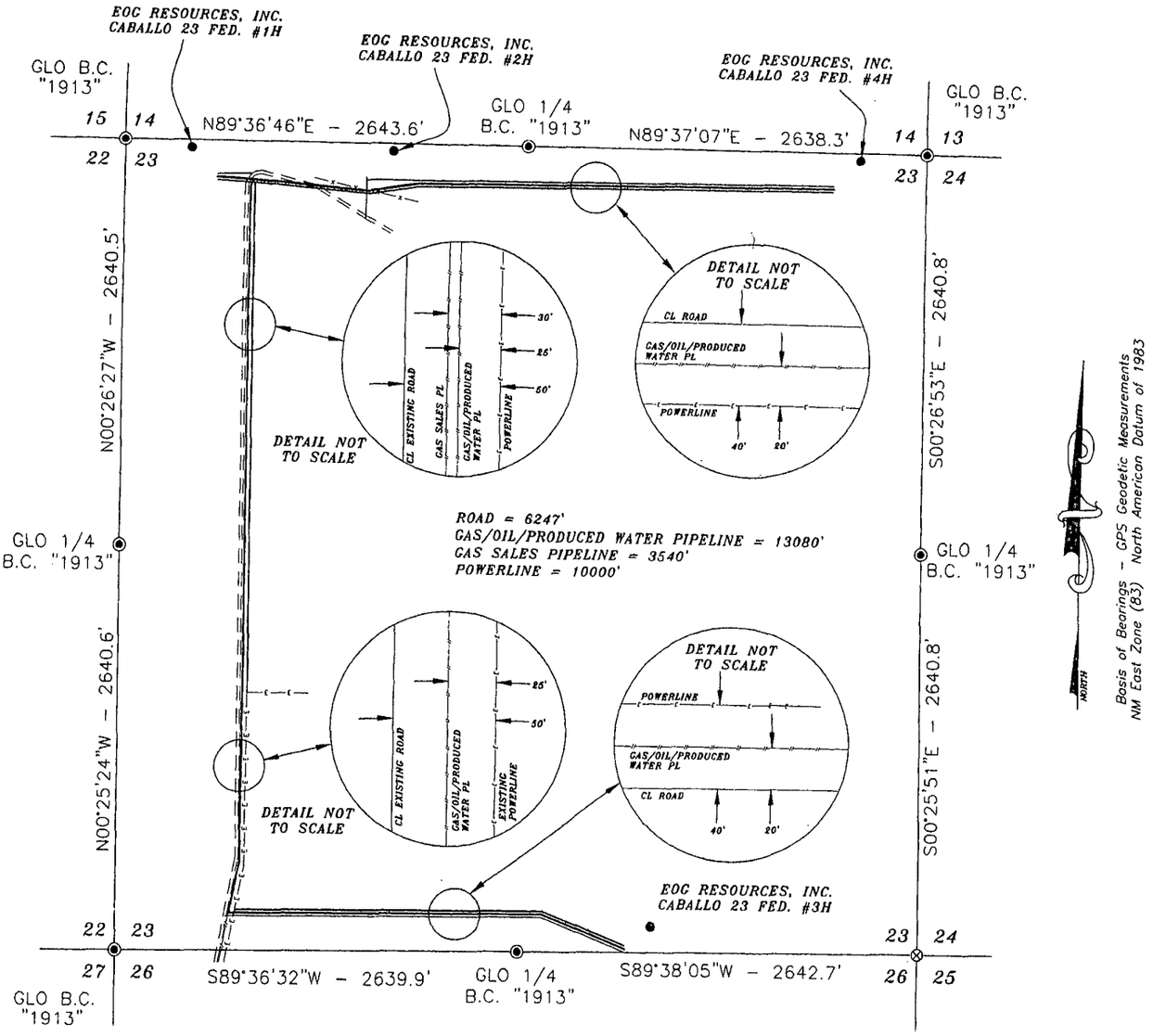
330' FSL & 440' FWL, U/L M (BHL)

Sec 23, T25S, R33E, Lea County NM



SECTION 23, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY NEW MEXICO

Exhibit 5



TERRY J. ASEL NEW MEXICO 15079 REGISTERED PROFESSIONAL LAND SURVEYOR

LEGEND

◉ – DENOTES FOUND MONUMENT AS NOTED
⊗ – DENOTES CALCULATED CORNER

1000' 0 1000' 2000' FEET
SCALE: 1"=1000'

SURVEYORS CERTIFICATE

I, TERRY J. ASEL, NEW MEXICO PROFESSIONAL SURVEYOR NO. 15079, DO HEREBY CERTIFY THAT I CONDUCTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND MEETS THE "MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO" AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND SURVEYORS.

Terry J. Asel 10/29/2010

Terry J. Asel N.M. R.P.S. No. 15079

Asel Surveying

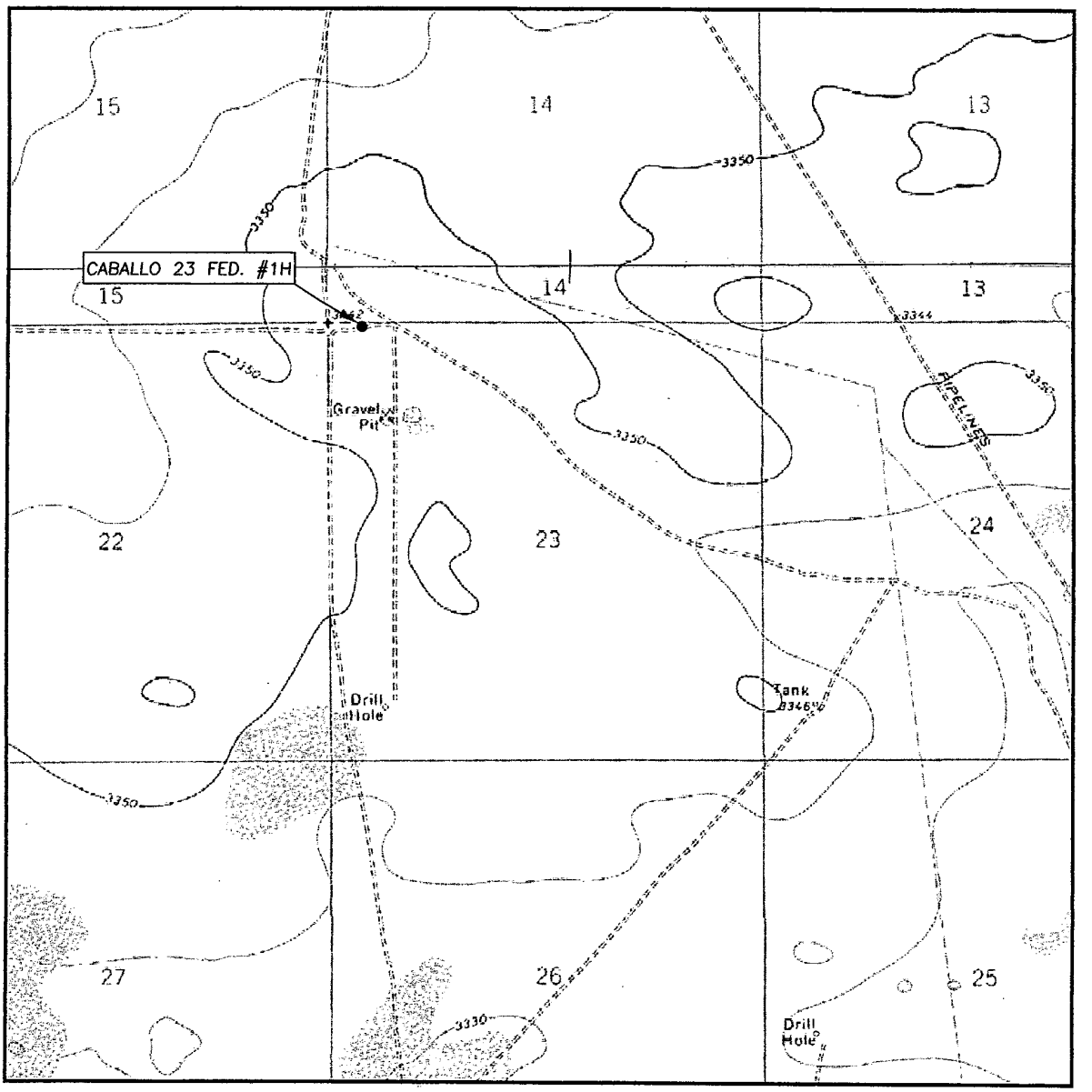
P.O. BOX 393 – 310 W. TAYLOR
HOBBS, NEW MEXICO – 575-393-9146

EOG RESOURCES, INC.

PROPOSED ROAD, GAS/OIL/PRODUCED WATER PIPELINE, & POWERLINE TO THE CABALLO 23 FED. #1H, #2H, #3H & #4H IN SECTION 23, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO

Survey Date: 10/20/10	Sheet 1 of 1 Sheets	
W.O. Number: 101020RD	Drawn By: KA	
Date: 10/29/10	101020RD.DWG	Scale:1"=1000'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 23 TWP. 25-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 50' FNL & 440' FWL

ELEVATION 3342.5'

OPERATOR EOG RESOURCES, INC.

LEASE CABALLO 23 FED. #1H

U.S.G.S. TOPOGRAPHIC MAP
PADUCA BREAKS EAST, N.M.

Asel Surveying

P.O. BOX 393 – 310 W. TAYLOR
HOBBS, NEW MEXICO – 575-393-9146