

MULTI POINT SURFACE USE AND OPERATIONS PLAN

READ & STEVENS, INC.

Re-Entry of: Coyote 10 Federal, Well No. 2
660' FSL & 660' FWL, Sec. 10-T20S-R34E

Lea County, New Mexico

Lease No.: NM-105221

(Exploratory Well)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan to be followed in rehabilitating the surface and environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a BLM topo map showing the location of the proposed well as staked. The well site location is approximately 43 road miles northeast of Carlsbad, NM. Traveling east of Carlsbad on U.S. Hwy 62/180 there will be approximately 401 miles of existing paved road and 3 miles of gravel oil field roads
- B. Directions: Travel east of Carlsbad on U.S. Hwy 62/180 for approximately 40 miles to .5 mile east of MM 76 to a cattle guard; and a caliche road on the south side of the highway. Turn south and take left fork and continue for 1.7 mile to a road that runs south. Take this road south for .75 mile to a well pad, then southeast for .5 mile to the Coyote 10 Federal, Well No. 2 well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The existing access roads are color coded on Exhibits "A".
- B. Construction: The existing access road will be repaired as needed by grading and topping with compacted caliche. The surface will be properly drained.
- C. Turnouts: turnouts are currently available on the existing access road; increasing the width to 20 feet for passing.
- D. Culverts: None.
- E. Cuts and Fills: None required.
- F. Gates, Cattle guards: None will be required.
- G. Off lease right of way: The existing R/W No. NM-70565 will cover this well.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two-mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Read & Stevens, Inc. has production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery, if required, will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the re-entry of the well with fresh water that will be obtained from private or commercial sources and will be transported over the existing access roads

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing necessary repairs on the existing access road and well site pad, as needed, will be obtained from the nearest authorized location available. No surface materials will be disturbed except those necessary for actual grading and cleaning of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings and liquids will be stored in steel tanks of the closed loop mud system during the drilling operation. The cement drill cuttings and fluids will be delivered to the nearest approved disposal system as needed and at closure.
- B. There are no mud pits to be fenced.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering by the wind and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, closed loop system, and major rig components. The original pad area was staked and flagged, 400' X 400'.
- B. Mat Size of existing old pad is: 275' X 265'. The new pad will be 150' X 150' including closed loop system.
- C. Cut & Fill: None. The location will require clearing of plant growth and blown in sand. The surface will be topped with compacted caliche, if needed.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling, re-entry and/or completion operations, all equipment and other material not required for operations will be removed. The location will be cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. All produced mud and fluids of the closed mud system will be removed to authorized disposal sites.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. OTHER INFORMATION:

- A. Topography: The well site and access road are located in the Querecho Plains in area of sand dunes and deflation basins with a relatively level terrain and an elevation of 3644 GL.
- B. Soil: The topsoil at the well site is a light-brown non calcareous fine sand from 48 – 60 inches deep. The soil is part of the Pyote & Maljamar fine sand series.
- C. Flora and Fauna: The location has a fair grass cover of grama, three awn, tobosa, sand dropseed along with plants of mesquite, yucca, broomweed, cacti, some shinnery oak and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, antelope, deer, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in area.
- E. Residences and Other Structures: None in the immediate vicinity, except oil field facilities.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed well site and proposed access road is on Federal surface and minerals.
- H. There is no evidence of archaeological, historical or cultural sites in the staked area. New Mexico Archaeological Services, Inc., P. O. Box 1341, Carlsbad, NM 88220 conducted an archaeological survey November 10, 1979 and their report was submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

David Luna, operations engineer
READ & STEVENS, INC.
P. O. Box 1518
Roswell, NM 88202
Office Phone: (575) 622-3770 (ext 305)

CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have knowledge of state and Federal laws applicable to this operation; that the statements made in the 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 a false statement.

Executed this 3rd day of December, 2010.


George R. Smith

POA agent for Read & Stevens, Inc.

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575-623-4940

David Luna, Field Representative
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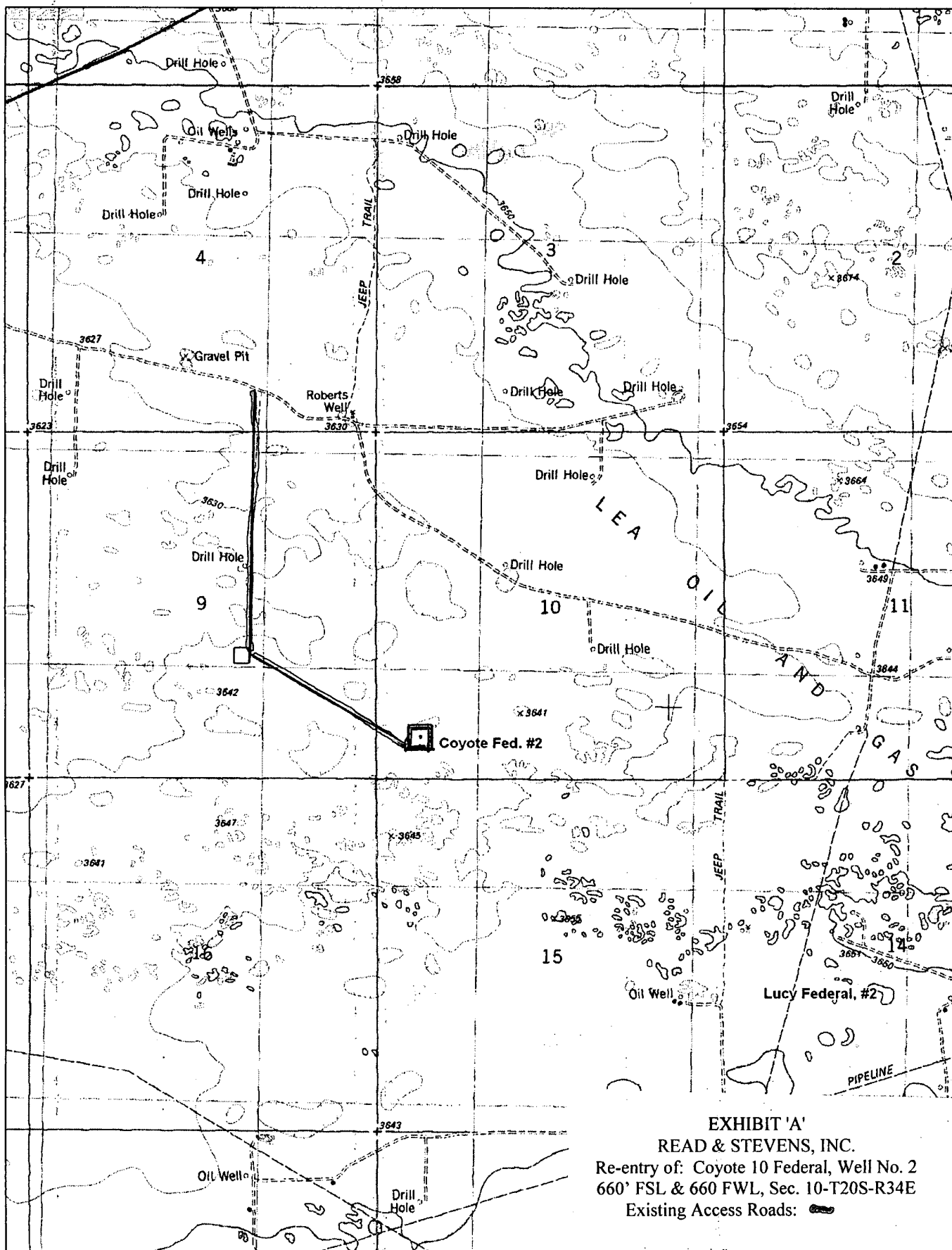
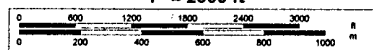


EXHIBIT 'A'
 READ & STEVENS, INC.
 Re-entry of: Coyote 10 Federal, Well No. 2
 660' FSL & 660 FWL, Sec. 10-T20S-R34E
 Existing Access Roads:

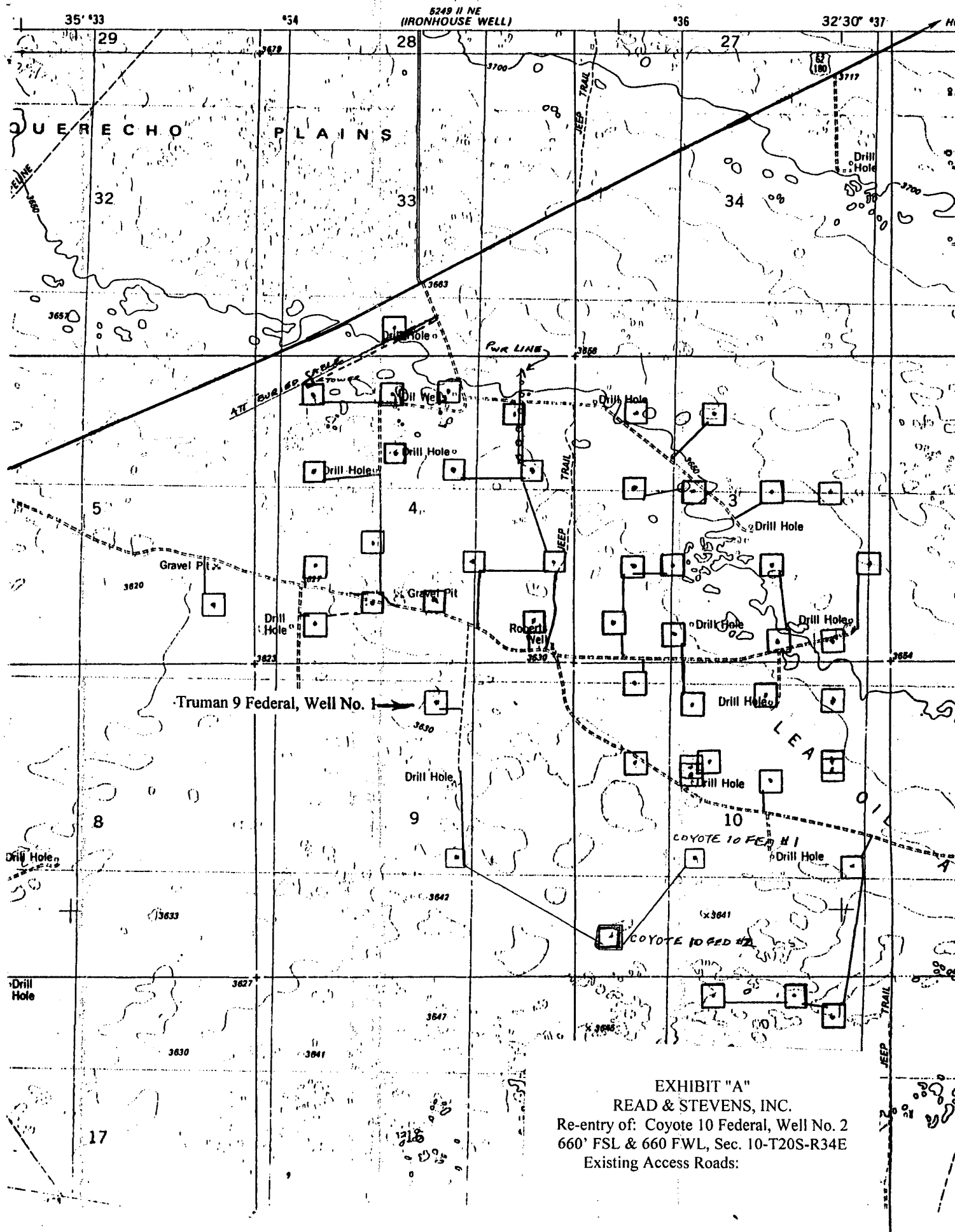


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Scale 1 : 24,000
 1" = 2000 ft



TN
 MN
 0.0°W



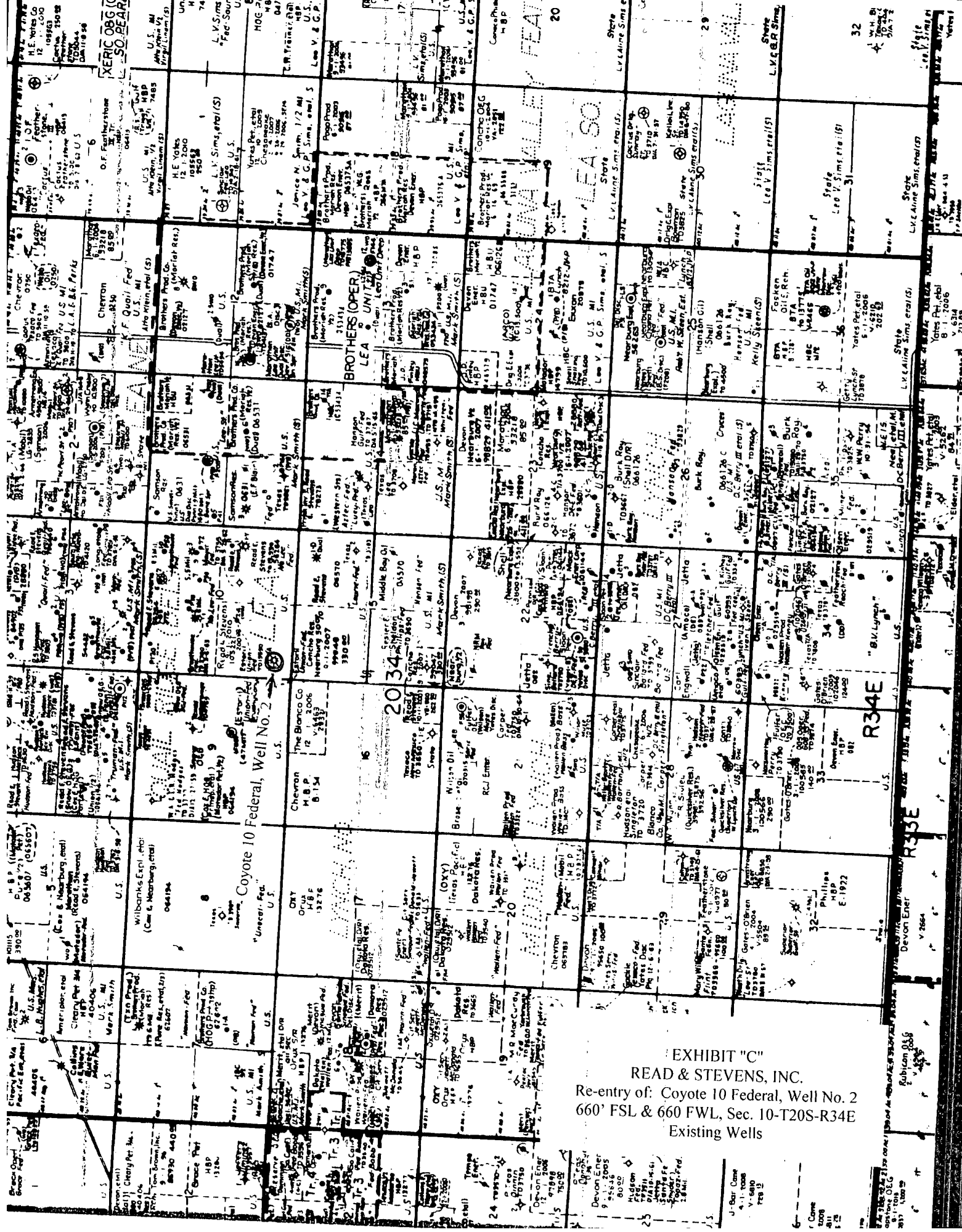


EXHIBIT "C"
READ & STEVENS, INC.
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660' FSL & 660 FWL, Sec. 10-T20S-R34E
Existing Wells