

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Paloma Resources, Inc.

Peery Fed. #1

1980' FNL & 1980' FEL

Sec. 29-T15S-R30E

Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well, and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 25 miles Southeast of Hagerman, New Mexico. Go East of Hagerman, NM on Hwy 31 for approx 24 miles. Turn right and go south on Lease road for 4 miles. Turn left and go 1/4 mile East to existing location.

2. PLANNED ACCESS ROAD

No new road will be built. The current existing road will be upgraded by watering and blading. This will also be done on the current caliche pad on which the well was originally drilled. The road was built with drainage on one side of the road. The original road and pad are readily visible. All roads will be adequately maintained to prevent degradation due to traffic.

3. LOCATION OF EXISTING WELL

There is no drilling activity within a one mile radius of the wellsite. The attached map shows all other wells in the area.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

There are currently production facilities on the lease at this time. In the event that the well is productive, the existing production equipment located at the tank battery will be connected to the wellhead via existing flowlines on previously approved right of ways. If the well is productive of gas, no power will be necessary. Currently power lines are already built and installed on the location. If a pumping unit is necessary, these will be utilized.