

Surface Use and Operating Plan  
Morexco, Inc.  
Oso Federal #1  
Lea County, New Mexico

1. Existing Roads:

A. The well location and acreage dedication plat for the proposed well is shown on Exhibit 2. The location was staked by P. R. Patton & Associates.

B. All roads to the location are shown in Exhibit 3. The existing are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the on-site inspection.

C. Travel 15 miles west from Hobbs, New Mexico on Highway 62/180. Turn northwest on Highway 529 for 24 miles. Turn south on Highway 126 and travel 2.5 miles. Turn west and travel .6 miles. Turn north and travel .4 miles. Turn west and travel .2 miles to location.

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operation continues on the lease.

2. Proposed Access Road: Exhibit 3 shows that there will be no new access road to be constructed.

3. Location of Existing Wells: Exhibit 4 shows all existing wells within a one-mile radius of this well. A list of these wells is shown on the attachment to Exhibit 4.

4. Location of Existing and/or Proposed Facilities:

A. Morexco, Inc. does not operate any other production facilities on this lease.

B. If the well is productive, contemplated facilities will be as follows:

1. The tank battery and facilities, including all flowlines and piping, will be installed according to A. P. I. specifications.

2. Any additional caliche which is required for firewalls, etc., will be obtained from a E. L. M. approved caliche pit. Any additional construction materials will be purchased from contractors.

3. No power will be required if the well is productive of gas. If the well is productive of oil, it may be necessary to run electrical power to the well.