

SURFACE USE AND OPERATING PLAN

SDX RESOURCES, INC.

Meyers Federal #6

330' FNL & 330' FEL

Unit A Sec. 22, T24S R36E

Lea County, New Mexico

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is shown in Exhibit #1. It was staked by Dan Reddy, Carlsbad, New Mexico.
- B. All roads to the location are shown in Exhibit #3. The existing roads are labeled 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. Directions to location: See Exhibit #3
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #3 shows the existing road.

Exhibit #5 shows the new access road to be constructed. The road will be constructed as follows:

- A. The maximum width of the running surface will be 15'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the on-site inspection.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No fences will be cut.

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road is shown in Exhibit #3. It is +/- 600' long and will be included in the Archaeological Survey.

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

A. If the well is productive:

- 1) A production battery of adequate size to handle the anticipated production will be constructed on the existing location.

B. If the well is productive, rehabilitation plans are as follows:

- 1. The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is complete).
- 2. Topsoil removed from the drill site will be used to re-contour the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud systems as outlined in the drilling program. The brine water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing and proposed access roads shown in Exhibit #3. No water well will be drilled on location.



6. Source of Construction Materials:

All caliche required for construction of the drill pad and any new access road will be obtained from the drilling pits and/or on site when possible. Any additional caliche will be obtained from approved caliche pits. All roads and pads will be constructed of 6" of rolled and compacted caliche.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in plastic lined pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 80' x 55' x 6' deep and fenced. The reserve pit will be plastic lined (5-7 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve pit after the well is permanently placed on production.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash trailer by a contractor. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 90 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill, and as weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use.