

BW - 31

**GENERAL
CORRESPONDENCE**

YEAR(S):

2006

Stone, Ben, EMNRD

From: Stone, Ben, EMNRD
Sent: Tuesday, March 07, 2006 9:49 AM
To: 'garymschubert@aol.com'
Cc: Williams, Chris, EMNRD; Wink, Gary, EMNRD
Subject: HRC Brine Facility - Schubert 7 No.1

Mr. Schubert,

Wayne Price has recently taken over as the environmental bureau chief and has given your application for a brine well over to me.

The information you've submitted over the last several months looks essentially complete and I apologize for the obvious delay.

All that I need is an approved C-101 (Hobbs OCD district office) for your reentry into and completion of the well.

Apparently, the City of Hobbs has some interest and it is my understanding that you will be utilizing their waste water for your operation.

Anyway, as it stands now, once I receive the C-101 and visit with the manager of Hobbs Waste Water (at their request), I believe we can get your permit out very soon.

Thanks for your cooperation and patience!

Sincerely,

p.s. I had tried to contact Lorna who is listed as one contact but have been unable to get her by phone.

Ben Stone

*Oil Conservation Division
Environmental Bureau
1220 S. St. Francis Dr.
Santa Fe, NM 87505
505.476.3474
ben.stone@state.nm.us*

NOTICE OF PUBLICATION

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) – H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs, New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to re-enter the Sahara well #1 API#30-025-36781 (Now Schubert7#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site <http://www.emnrd.state.nm.us/ocd/>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director

Price, Wayne, EMNRD

Subject: HRC Brine Well BW-31
Due Date: Friday, March 31, 2006

Status: Not Started
Percent Complete: 0%

Total Work: 0 hours
Actual Work: 0 hours

Owner: Stone, Ben, EMNRD



Ben Stone.doc (24 KB) 2006GWPNBNOT.D OC (32 KB) BWAPP.DOC (56 KB) DP_BEF.rtf (15 KB)

Dear Mr. Stone:

Please find enclosed instructions (Ben Stone) and electronic versions of a typical brine well public notice, permit and application. This project will give you exposure to well permitting, discharge permitting, UIC area of review, brine well testing and operations, MIT and of course well logging which I'm sure you could teach me a thing or two.

This is about as tough as it gets here, so don't worry it's not that bad. I will put the files on your desk.

H.R.C. BRINE FACILITY
DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITY

1. H.R.C. Brine Facility – Schubert 7 Well #1

2. H.R.C., Inc.
P.O. Box 5102
Hobbs, NM 88241
Gary M. Schubert (505) 393-3194

Location:

3. Brine Well NW $\frac{1}{4}$ of SE $\frac{1}{4}$ Section 7 Township 19S. Range 39E.
Fluid Transfer and Storage Facility:
SE $\frac{1}{4}$ Section 26 Township 19S Range 38E.
(Map attached)

Surface Owners:

4. Gary M. and Marcia Schubert
P.O. Box 5102
Hobbs, NM 88241
Lea County – tax and ownership records attached.

5. This facility will store brine water produced from the underground salt formation at the site. No other fluids will be stored at the facility. Salt brine will be recovered up the tubing from the Schubert 7 well #1 and stored in 500 bl. above ground tanks. These tanks will be located inside and on a polyethylene lined dike area. The dike area will be sized to hold more than 133% of the brine tanks combined capacity. The volume of brine production will be determined by the amount of oil and gas drilling activities, and will vary from month to month. Based on activity at other brine facilities, this volume could be 12,000 to 15,000 barrels per month.

6. Fluid Transfer and Storage:

Treated effluent water will be received at the brine well for injection from the S & H Enterprises Inc. farm (City of Hobbs treated effluent) water supply system via polyethylene pipe, the connection to the system is approximately 4 miles south of proposed brine well #1. The fresh water line will be connected to the suction side of a pump which will pump fresh water down the annulus of the well casing at a rate of approximately 60 barrels per hour and a normal operating pressure of from 200 to 250 psi. Brine water will be produced up the well through the tubing and delivered to the 500 bl. tanks by polyethylene piping. All piping is low pressure with tank head pressure less than 50 psi. All piping will be above ground and visible for quick on site leak detection.

Brine water will be transported from the site by tanker truck for sale and use in oil and gas drilling and production operations. Tanker trucks will be positioned inside a polyethylene-lined dike loading area to retain fluids in the event an accidental discharge or spill were to occur. Brine water will flow from the storage tanks to a header system by piping positioned above the poly liner. Tank trucks will connect to the header valve by hose and the pumps on the truck will pull the fluids from the header valve and discharge the brine to the tanker. When the loading is complete, the driver or operator will close the header valve and continue to suck the line empty, this will prevent any spills, leaks or drips. As a precaution, an above ground drip tank will be located at the header valve to catch any drips that might occur during the loading process. The operator or driver will be present during the loading process and will fill out a load ticket for volume and destination. These tickets will be used for billing and also for monitoring the volumes of fresh water and brine production which will help in keeping up with the integrity of the system.

A meter will be located at the fresh water connection. This meter will be used by S & H Farms for billing purposes and by H.R.C. in calculating volumes. The brine well injection pump will be a positive displacement pump. The pump generally pumps at the same flow rate as well. A pressure gauge will be installed on the pump discharge which will record operating pressure and run time. Run time multiplied by pump flow rate gives an indication of water volume pumped into the formation and brine water recovered. Tank gauges, fresh water meter reading, pump run time and product sales tickets will be compared to give an idea as to the integrity of the operation. The volume of fresh water injected and the volume of brine produced will be recorded monthly and submitted to the OCD office in Santa Fe on a quarterly schedule.

Tanks and piping will be above ground for rapid visual leak inspection and detection. The loading area will be a poly lined dike area to contain any spillage that may occur. Dike areas will prevent run-off storm water. Any water that does accumulate will be vacuumed up and hauled to an OCD approved facility for disposal. H.R.C. will be at the facility on a daily basis checking for leaks and/or spills. The inspection will be recorded and kept on file, any corrections or repairs will be noted on inspection file.

Prior to starting injection and after approval, the casing will be pressure tested for integrity. A bridge plug will be run into bottom of the casing and pressure will be applied to casing to check for any leakage. The process will be conducted on at least a five year schedule. The tubing-casing formation test will be conducted annually to insure integrity.

No fluids or solids will be disposed of at this site. All brine fluids will be sold for use or stored in tanks. In the event it becomes necessary to dispose of brine fluids, it will be taken to an OCD approved facility. Any solids, such as soil containing chloride contamination, will be taken to an approved OCD facility.

Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

7. Description of Underground Facility:

The only underground facilities will be brine well and its piping construction. Enclosed is schematic of proposed completion and a schematic of existing status.

The proposed construction will be:

8 5/8" production casing pulled and set at approximately 1600' with cement circulated to surface.

2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8" tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:

The proposed site is located southeast of Hobbs, NM adjacent to county road #

The area is relatively flat with very little elevation differences. There is no surface water in close proximity to the proposed site. The average rainfall for this area is 12 to 15 inches annually. The last recorded 100 year flood was in 1990, where 10 inches of rain was recorded in a 24 hour period. In normal conditions, rain soaks in and is absorbed into the soil as fast as it comes down. With the present facility design, it is highly unlikely any run off or run on of the property would occur. If, in the future, some problems were to occur, revisions to the discharge plan for this facility would be incorporated.

Hydrology:

Underground aquifers in this area are the Ogallala and Quaternary Alluvium formations. The groundwater in these formations is unconfined where the underlying red beds are relatively impermeable. This underlying layer prevents further downward or upward movement. From information reviewed, the groundwater flow from the Ogallala formation flows to the south southeast, the water level for this area ranges from 50' to 70' below ground level and the average depth of the wells are 150'. Find within list of water wells in the general area and analytical from one the wells.

Geology:

The proposed site is located on the Central Basin Platform of the Permian Basin. The sub-surface formations are in transitional area between Delaware Basins back reef or shelf area and the platform. The brine product is from the Salado formation of the Ochoa series. The series is of upper Permian Age, and extends across the Delaware Basin, Central Basin Platforms, thins and pinches out on the eastern shelf. This series layers are predominately evaporates which contain strings of dolomite, shale, siltstone, and sandstone. The thickness of this salt section averages about 1000ft. The Triassic rock overlaying the Permian formation is the Dockem group, and is divisible into the Santa Rosa sandstone and the Chinle formation. The Tertiary rocks are represented by the Ogallala formation. This formation ranges in thickness from 0' to 300'. It is chiefly calcareous, unconsolidated sand, clay, silt and gravel. This is the information most of Lea County obtains its drinking water from.

10. H.R.C., Inc. will comply with any rule, regulation or order which the OCD currently has or any new rule and regulation that pertains to this type of facility that the OCS may initiate in the future.

**H.R.C., Inc.
P O Box 5102
Hobbs, NM 88241
(505)393-6662**

RECEIVED

MAR 23 2005

OIL CONSERVATION
DIVISION

March 23, 2005

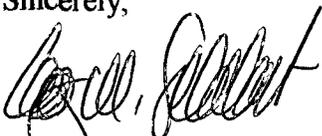
Mr. Wayne Price
NMOCD Environmental Bureau
P O Box 6429
Santa Fe, NM 87504

RE: Brine Supply Application

Mr. Price,

Please see the attached application for brine supply well and discharge permit. I believe everything is to be in order. If you have any questions or require any additional information, please give me a call or e-mail garymschubert@aol.com. Thanks for your cooperation.

Sincerely,



Gary M. Schubert

Feb 17, 2006

To: Ben Stone

From: Wayne Price

Subject: HRC Brine Well

Please find attached the file for the HRC BW-30 (existing well) and partial information on the new brine (BW-31). I have set up the admin permit for BW-31 but not the facility.

This permit application has been in purgatory for some time. I think what has happened is that Gary Schubert tried using his in house staff secretary who was not familiar with OCD rules and regs. The last time he used Eddie Seay for BW-30. Unfortunately for Gary here is what needs to be done and I would appreciate if you would ram rod this until completion.

1. Re-submit a complete copy of brine well application.
2. Submit a C-103 and C-108.
3. Check and make sure there is a bond on the well.
4. Public Notice was issued and we received a telephone call from the City of Hobbs Waste Water department. Please call the city of Hobbs and find out who we need to copy the draft permit to.
5. Prepare discharge permit draft. Use the BW-30 as a reference. I can E-mail you an electronic copy.
6. Once we have the draft we will list it on the web and wait 30 days.
7. During this time you can evaluate the permit application, C-103 and C-108.
8. When you receive the C-108 you need to check with Will Jones and make sure there is no other wells in the area of review that could be a problem.
9. When you receive the C-103 I would get with Chris and make sure they agree with the re-completion and what conditions they would require. We will want an casing MIT and cement bond log at a minimum.

GOOD LUCK!!!

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 6/1/2004
or cash received on _____ in the amount of \$ 100.00
from HRC, INC.

for NEW BRIDGE NBCC BW-31

Submitted by: WAYNE PRICE (Facility Name) Date: 6/28/05 (DP No.)

Submitted to ASD by: [Signature] Date: "

Received in ASD by: _____ Date: _____

Filing Fee New Facility _____ Renewal _____
Modification _____ Other _____ (Optional)

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

HRC, INC.
P.O. BOX 1606
HOBBS, NM 88241
(505) 393-3192

FIRST NATIONAL BANK
600 W. BENDER (303) 392-8200
P.O. BOX 360
HOBBS, NM 88241
9543-1122

5/1/2005

PAY TO THE ORDER OF Water Quality Management Fund

One Hundred and 00/100 *****

Water Quality Management Fund
1220 S. St. Francis
Santa Fe, NM 87505

MEMO Schubert #7 Erling Fee

[Signature]

Price, Wayne

From: Price, Wayne
Sent: Wednesday, June 01, 2005 2:58 PM
To: 'garymschubert@aol.com'
Cc: Williams, Chris; Wink, Gary; Sheeley, Paul; Johnson, Larry; Anderson, Roger; Sanchez, Daniel
Subject: H.R.C. Inc. New brine well application
Contacts: Gary Schubert

Dear Mr. Schubert:

OCD is in receipt of H.R.C. Inc application for a new brine well to be located in UL J Section 7 Ts 19s R 39e. Your plan proposes to re-enter the Sahara well#1 API# 30-025-36781. The proposed completion does not meet OCD's minimum requirement for groundwater protection for EPA type Class III wells. OCD will require at least two strings of casing through the fresh water zone. The first string (outside) shall be embedded and terminate in the "Red Beds" and the second string shall be placed a minimum of 100 feet into the salt section. Both casing strings shall be cemented back to surface.

In order for OCD to continue the evaluation of the application please re-submit an amended plan to incorporate the above changes and include a \$100.00 filing fee made out to the New Mexico Water Quality Management Fund.

Sincerely:

Wayne Price
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505
505-476-3487
fax: 505-476-3462
E-mail: WPRICE@state.nm.us

H.R.C. INC.

SCHUBERT 7 #1 SECT. 7, T. 19 S, R. 39 E

APPLICATION FOR BRINE EXTRACTION WELL

AND

DISCHARGE PLAN FOR BRINE FACILITY

March 8, 2005

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

RECEIVED State of New Mexico
Energy Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
May 27, 2004

Submit to appropriate District Office

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | | |
|---|---|---|----------------------------|
| ¹ Operator Name and Address HRC, Inc. P.O. Box 5102 Hobbs, NM 88241 | | ² OGRID Number 131652 | |
| | | ³ API Number 30-025-36781 | |
| ⁴ Property Code 301197 | ⁵ Property Name Schubert #7 | | ⁶ Well No. 1 |
| ⁹ Proposed Pool 1 BSW-Salado | | ¹⁰ Proposed Pool 2 | |

⁷ Surface Location

| UL or lot no. | Section | Townsh | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|--------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 7 | 19 | 39 | | 2313 | South | 2313 | East | Lea |

⁸ Proposed Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Townsh | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|--------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

Additional Well Information

| | | | | |
|---|------------------------------|--|-------------------------------|--------------------------------------|
| ¹¹ Work Type Code | ¹² Well Type Code | ¹³ Cable/Rotary | ¹⁴ Lease Type Code | ¹⁵ Ground Level Elevation |
| ¹⁶ Multiple | ¹⁷ Proposed Depth | ¹⁸ Formation | ¹⁹ Contractor | ²⁰ Spud Date |
| Depth to Groundwater 80' | | Distance from nearest fresh water 2303 | | Distance from nearest surface water |
| Pit: Liner: Synthetic <input type="checkbox"/> _____ mils thick Clay <input type="checkbox"/> | | Pit Volume: _____ bbls | | Drilling Method: |
| Closed-Loop System <input type="checkbox"/> | | Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based | | |

²¹ Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 12 1/4 | 8 5/8 | 24 # | 1865 | 800 | surface |
| | | | | | |
| | | | | | |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Plugged back to 2947 by Sahara Operating. (See attached information on C-103 of 10/11/04 by Sahara Operating).

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative

Printed name: Gary M. Schubert

Title: President

E-mail Address: GaryMSchubert@aol.com

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Date: 3/8/05

Phone: 505-393-6662

Conditions of Approval Attached

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|--|--------------------------------|
| ¹ API Number 30-025-36781 | | ² Pool Code 96173 | | ³ Pool Name BSW - Salado | |
| ⁴ Property Code 301197 | | ⁵ Property Name Schubert 7 | | | ⁶ Well Number 1 |
| ⁷ OGRID No. 131652 | | ⁸ Operator Name HRC, Inc. | | | ⁹ Elevation 3585 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 7 | 19 | 39E | | 2313 | South | 2313 | East | Lea |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-------------------------------|---------|-------------------------------|-------|----------------------------------|---------------|-------------------------|---------------|----------------|--------|
| | | | | | | | | | |
| ¹² Dedicated Acres | | ¹³ Joint or Infill | | ¹⁴ Consolidation Code | | ¹⁵ Order No. | | | |
| | | | | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | | | | | |
|---------------|--|--|--|--|--|--|--|
| ¹⁶ | | | | | | <p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p style="text-align: center;"><i>Gary M. Schubert</i></p> <p>Signature</p> <p>Gary M. Schubert Printed Name</p> <p>President GaryMSchubert@AOL.com Title and E-mail Address</p> <p>3/8/05 Date</p> | |
| | | | | <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor.</p> <p>Certificate Number</p> | | | |

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO.
 30-025-36781

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
 Schubert 7

8. Well Number 1

9. OGRID Number
 131652

10. Pool name or Wildcat
 BSW-Salado

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other(Brine Supply)

2. Name of Operator
 HRC, Inc.

3. Address of Operator
 P.O. Box 5102 Hobbs, NM 88241

4. Well Location
 Unit Letter J : 2313 feet from the South line and 2313 feet from the East line
 Section 7 Township 19 Range 39 NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3585 GL

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|--|---|--|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER: <input type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1. Rig up completion unit.
2. Run in hole w/2 7/8" tbg to 2300'
3. Install wellhead and circ. fresh water down csg. to circulate brine water through tbg.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE [Signature] TITLE President DATE 3/8/05

Type or print name _____ E-mail address: _____ Telephone No. _____

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
May 27, 2004

Submit to appropriate District Office

AMENDED REPORT

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|--|
| Operator Name and Address SAHARA OPERATING COMPANY P.O. BOX 4130, MIDLAND, TX 79701 | | OGRID Number 020077 |
| Property Code 34123 | | API Number 30-025-36781 |
| Property Name Schubert 7 | | Well No. 1 |
| Proposed Pool 1 Wildcat - Abo | | Proposed Pool 2 Wildcat - Drinkard |

Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 7 | 19-S | 39-E | | 2313' | South | 2313' | East | Lea |

Proposed Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

Additional Well Information

| | | | | |
|---|--------------------------------|--|------------------------------|---|
| Work Type Code N | Well Type Code O | Cable/Rotary R | Lease Type Code F | Ground Level Elevation 3585' |
| Multiple No | Proposed Depth 8000' | Formation Abo | Contractor Unknown | Spud Date 7/28/04 |
| Depth to Groundwater 80' | | Distance from nearest fresh water well 2,303' | | Distance from nearest surface water + 2 miles |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12_mils thick Clay <input type="checkbox"/> | | Pit Volume: 2500 bbls | | |
| Closed-Loop System <input type="checkbox"/> | | Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | |

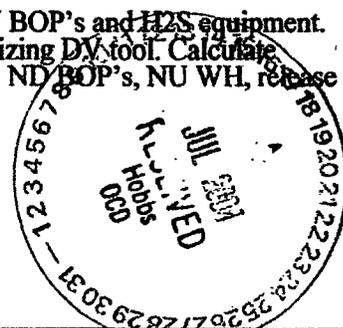
Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 12-1/4" | 8-5/8" | 24# | 1850' | 800 | Surface |
| 7-7/8" | 5-1/2" | 15.5 & 17.0# | 8000' | 1000 | 1000' |
| | | | | | |
| | | | | | |

Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill 12.25" hole to 1850' w/fresh water. Set 8.625" casing and cement to surface. NU BOP's and H2S equipment. Drill 7-7/8" hole w/cut brine. Set and cement 5-1/2" casing @ TD with 2-stage cement job utilizing DV tool. Calculate cement volume based on caliper log to ensure that top of cement is well within surface casing. NU BOP's, NU WH, release drilling rig. Move in completion unit, perforate and acidize pay zone. Place well on test.

Permit Expires 1 Year From Approval
Date Unless Drilling Underway



| | | | |
|--|---------------------|--|------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> . | | OIL CONSERVATION DIVISION | |
| Printed name: Robert McAlpine | | Approved by: <i>Robert McAlpine</i> | |
| Title: President | | Title: PETROLEUM ENGINEER | |
| E-mail Address: Saharam@sbglobal.net | | Approval Date: JUL 23 2004 | Expiration Date: |
| Date: 7-16-04 | Phone: 432-697-0967 | Conditions of Approval Attached <input type="checkbox"/> | |

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT I

P.O. Box 1988, Hobbs, NM 88241-1988

DISTRICT II

P.O. Drawer 88, Artesia, NM 88211-0719

DISTRICT III

1880 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. Box 2088, Santa Fe, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|-----------------------------------|--|-----------------------------|
| API Number 30-025-36281 | Pool Code: | Pool Name WILDCAT |
| Property Code 34123 | Property Name SCHUBERT 7 | Well Number 1 |
| OGED No. 020077 | Operator Name SAHARA OPERATING COMPANY | Elevation 3585' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn. | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| J | 7 | 19-S | 39-E | | 2313' | SOUTH | 2313' | EAST | LEA |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn. | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-------------------------------|-----------------------------|--------------------|-----------|
| Dedicated Acres 4.0 | Joint or Infill N | Consolidation Code | Order No. |
|-------------------------------|-----------------------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|--|--|
| <p style="text-align: center;">GEODETIC COORDINATES NAD 27 NME</p> <p style="text-align: center;">Y=611116.0 N X=884695.7 E</p> <p style="text-align: center;">LAT.=32°40'25.78" N LONG.=103°04'59.41" W</p> | <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>[Signature]</i> Signature</p> <p>ROBERT McALPINE Printed Name</p> <p>PRESIDENT Title</p> <p>6/20/04 Date</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center;">MAY 5, 2004</p> <p>Date Surveyed _____ JR</p> <p><i>[Signature]</i> Signature & Seal of Professional Surveyor</p> <p style="text-align: center;">GARY A. EIDSON 04-13-0728 NEW MEXICO PROFESSIONAL SURVEYOR</p> |
| | <p>Certificate No. GARY EIDSON 12841</p> |
| | <p>12841</p> |

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
P.O. Box 1880, Hobbs, NM 88241-1880

DISTRICT II
P.O. Drawer 80, Artesia, NM 88211-0719

DISTRICT III
1680 Rio Grande Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|-----------------------------------|--|-----------------------------|
| API Number 30-025-36281 | Pool Code | Pool Name WILDCAT |
| Property Code 34123 | Property Name SCHUBERT 7 | Well Number 1 |
| OCRID No. 020077 | Operator Name SAHARA OPERATING COMPANY | Elevation 3585' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot lin | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|------------|
| J | 7 | 19-S | 39-E | | 2313' | SOUTH | 2313' | EAST | LEA |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot lin | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-------------------------------|-----------------------------|--------------------|-----------|
| Dedicated Acres 4.0 | Joint or Infill N | Consolidation Code | Order No. |
|-------------------------------|-----------------------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

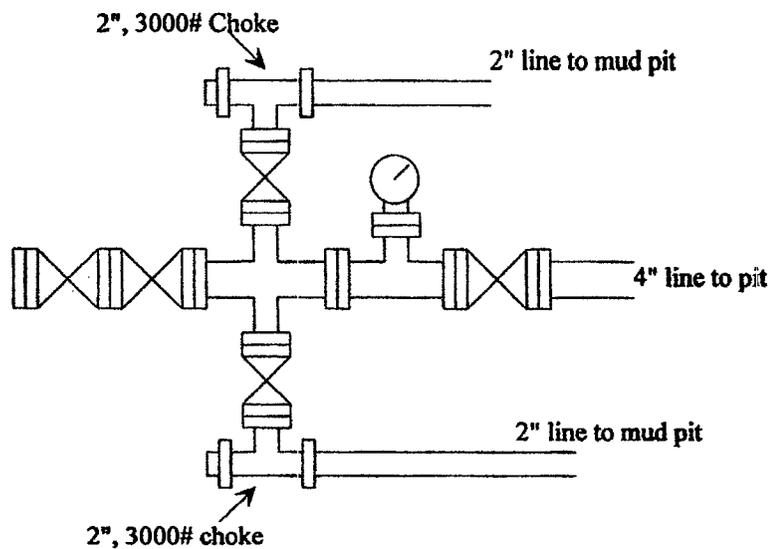
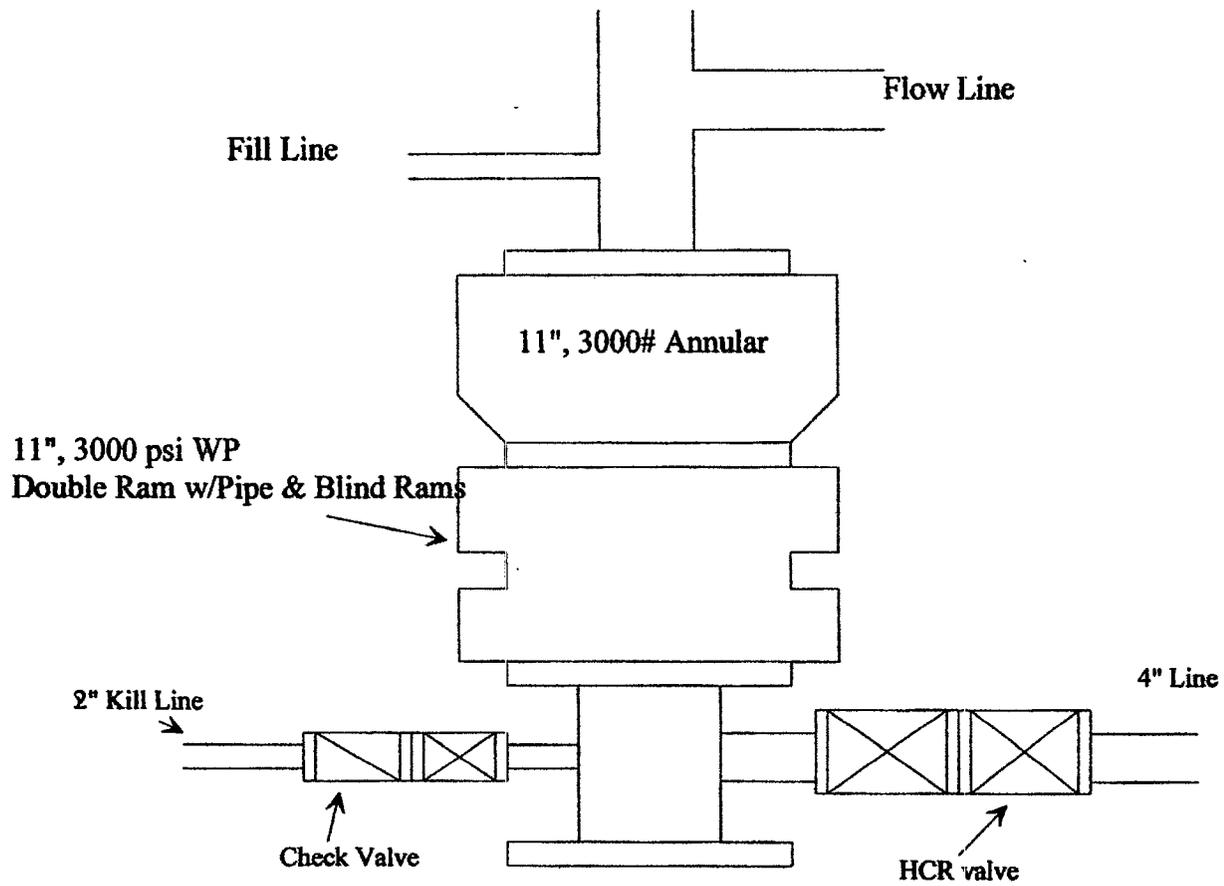
| | |
|---|--|
| <p style="text-align: center;">GEODETC COORDINATES NAD 27 NME</p> <p style="text-align: center;">Y=611116.0 N X=884695.7 E</p> <p style="text-align: center;">LAT.=32°40'25.78" N LONG.=103°04'59.41" W</p> | <p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: right;"><i>[Signature]</i></p> <p>Signature</p> <p>ROBERT McALPINE</p> <p>Printed Name</p> <p>PRESIDENT</p> <p>Title</p> <p>6/20/04</p> <p>Date</p> |
| | <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center;">MAY 5, 2004</p> <p>Date Surveyed</p> <p style="text-align: right;">JR</p> <p>Signature & Seal of Professional Surveyor</p> <p style="text-align: center;"><i>[Signature]</i></p> <p style="text-align: center;">04-13-0728</p> <p>Certificate No. CARY-KIMSON 12841</p> <p style="text-align: center;">PROFESSIONAL</p> |

SAHARA OPERATING COMPANY

Schubert 7 #1

Sec. 7, T19S, R39E, Lea Cty, NM

Blow Out Preventer Schematic



Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-025-36781 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name Schubert 7 |
| 8. Well Number 1 |
| 9. OGRID Number 020077 |
| 10. Pool name or Wildcat Wildcat |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
SAHARA OPERATING COMPANY

3. Address of Operator
P.O. BOX 4130, Midland, TX 79704

4. Well Location
 Unit Letter J : 2313 feet from the South line and 2313 feet from the East line
 Section 7 Township 19S Range 39E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3585' GL

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

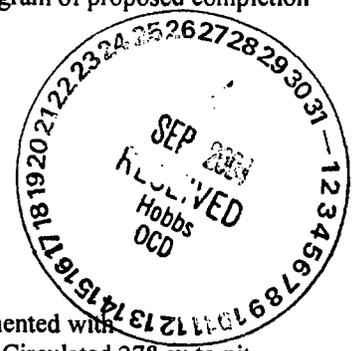
| | | | |
|--|---|---|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input checked="" type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input checked="" type="checkbox"/> | |
| OTHER: <input type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Move in Rod Ric Rig #10. Spudded 12.25" hole @ 1800 hrs, 9-22-04
 9-24-04: Drilled to surface casing point of 1865'. Ran 8-5/8" casing as follows:

| | |
|------------------------------------|----------|
| 8.625" sawtooth csg shoe, 8rd | 0.82' |
| 1 jt, 8-5/8" 24# 8rd ST&C new csg | 40.64' |
| 8-5/8" Float Collar | 1.20' |
| 45 jts 8-5/8" 24# 8rd ST&C new csg | 1826.96' |

Total length string 1869.62'. Set casing @ 1865'. Dressed casing w/12 centralizers. RU BJ and cemented with 700 sx 35:65:6 lead mixed to 12.7 PPG. Tailed w/200 sx class C w/2% CaCl₂ mixed to 14.8 ppg. Circulated 278 sx to pit. WOC. Nipped up BOP on 3M flanged wellhead. Tested casing to 1500# for 30 minutes OK. Tested blinds, manifold and HCR. Rigged up H₂S equipment. TIH w/bit, tested pipe rams, hydril and kill valves to 1500# OK. Drilled shoe after 18 hrs WOC.



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE _____ TITLE President DATE 9-27-04

Type or print name Robert McAlpine E-mail address: sahararm@sbcglobal.net Telephone No. 432-697-0967

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

PETROLEUM ENGINEER

SEP 29 2004

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-025-36781 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name Schubert 7 |
| 8. Well Number 1 |
| 9. OGRID Number 020077 |
| 10. Pool name or Wildcat Wildcat |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other DRY HOLE

2. Name of Operator
SAHARA OPERATING COMPANY

3. Address of Operator
P.O. BOX 4130, Midland, TX 79704

4. Well Location
 Unit Letter J : 2313 feet from the South line and 2313 feet from the East line
 Section 7 Township 19S Range 39E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3585' GL

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPL

OTHER:

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/CEMENT JOB

OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

10/7/04 Drilled to TD of 7900' @ 0530 hrs. Circ hole clean, TOH & Ran logs.
 10/8/04 Rec'd plugging procedure from Paul Kautz. TIH OEDP and set plug #1, 30 sx @ 7900', LDDP, set plug #2 - 35 sx @ 5710', LDDP, set plug #3 - 40 sx @ 4089'. LDDP, set plug #4 - 100 sx @ 2947'(top of Yates formation). At request of surface owner, suspended P&A operations, will transfer wellbore and responsibility for location and pits to

HRC, Inc.
 P.O. Box 5102
 Hobbs, New Mexico, 88241
 OGRID #131652



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to the OCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE [Signature] TITLE President DATE 10-11-04

Type or print name Robert McAlpine E-mail address: saharm@sbcglobal.net Telephone No. 432-697-0967

For State Use Only

APPROVED BY: [Signature] TITLE OC FIELD REPRESENTATIVE II/STAFF MANAGER DATE OCT 18 2004
 Conditions of Approval (if any) _____

WELL LOGS

| | | | |
|-------------|--------------|-----------|---------------------|
| API number: | 30-025-36781 | | |
| OGRID: | | Operator: | SAHARA OPERATING CO |
| | | Property: | SCHUBERT 7 # 1 |

| | | | | |
|---------|----------|------|-------|----------|
| surface | ULSTR: J | 7 | T 19S | R 39E |
| | | 2313 | FSL | 2313 FEL |

| | | | | |
|--------|----------|------|-------|----------|
| BH Loc | ULSTR: J | 7 | T 19S | R 39E |
| | | 2313 | FSL | 2313 FEL |

| | | | | | |
|---------------|------|-----|------|-----|------|
| Ground Level: | 3585 | DF: | 3598 | KB: | 3599 |
| Datum: | KB | | | TD: | 7900 |

Land: STATE
Completion Date: (1) 10/9/2004
Date Logs Received: 11/15/2004 ****Late****
Date Logs Due in: (2) 10/29/2004

| | | | | |
|---------------|----|--|-----------|--|
| Confidential: | NO | | Date out: | |
|---------------|----|--|-----------|--|

Confidential period: 90 Days for State & Fee, 1 Year for federal
 Date Due In: (1) is equal to Completion Date (1) + 20 days

| Logs | Depth interval | |
|----------|----------------|--|
| DSN/SDL | 1862 7600 | Spectral Density Dual Spaced Neutron |
| DLL/MSFL | 2800 7680 | Dual Laterolog Micro Spherically Focused Log |
| BHC | 1862 7624 | Borehole Compensated Sonic |
| | | |
| | | |
| | | |

OCD TOPS

| | | |
|--------------|------|--------|
| Rustler | 1773 | Strawn |
| Tansill | | Atoka |
| Yates | 2930 | Morrow |
| 7R | 3159 | |
| T. Bowers Sd | | |
| B. Bowers Sd | | |
| Queen | 3722 | |
| Penrose | | |
| Grayburg | 4080 | |
| San Andres | 4396 | |
| Glorieta | 5715 | |
| | | |
| Tubb | 6820 | |
| Drinkard | 7050 | |
| Abo | 7464 | |
| Wolfcamp | | |
| | | |
| | | |

ROD RIC CORPORATION

Post Office Box 1767
Midland, Texas 79702
(432) 682-7880

Well Name & Number: Schubert 7 #1 30-025-36781

Operator: Sahara Operating Company Attention: Drilling Department

Unit J 2313/S & 2313/E

Location: Sec.7, T-19-S, R-39-E Lea County, New Mexico

The undersigned hereby certifies that he/she is an authorized representative of the drilling contractor who drilled the above described well and that he/she has conducted the deviation tests and obtained the following results:

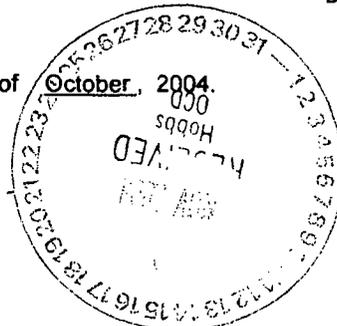
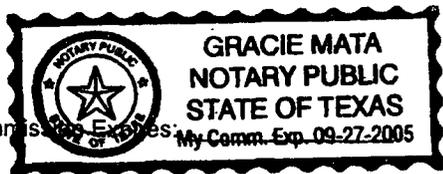
RECORD OF INCLINATION

| *11. Measured Depth (feet) | 12. Course Length (Hundreds of feet) | *13. Angle of Inclination (Degrees) | 14. Displacement per Hundred Feet (Sine of Angle X 100) | 15. Course Displacement (feet) | 16. Accumulative Displacement (feet) |
|----------------------------|--------------------------------------|-------------------------------------|---|--------------------------------|--------------------------------------|
| 343 | 343 | 0.50 | 0.87 | 2.98 | 2.98 |
| 540 | 197 | 0.75 | 1.31 | 2.58 | 5.56 |
| 840 | 300 | 1.00 | 1.75 | 5.25 | 10.81 |
| 1,317 | 477 | 1.00 | 1.75 | 8.35 | 19.16 |
| 1,817 | 500 | 2.00 | 3.49 | 17.45 | 36.61 |
| 2,084 | 267 | 1.75 | 3.05 | 8.14 | 44.75 |
| 2,402 | 318 | 1.50 | 2.62 | 8.33 | 53.08 |
| 2,751 | 349 | 1.00 | 1.75 | 6.11 | 59.19 |
| 3,227 | 476 | 0.75 | 1.31 | 6.24 | 65.43 |
| 3,727 | 500 | 0.50 | 0.87 | 4.35 | 69.78 |
| 4,202 | 475 | 1.00 | 1.75 | 8.31 | 78.09 |
| 4,679 | 477 | 1.25 | 2.18 | 10.40 | 88.49 |
| 5,186 | 507 | 3.25 | 5.67 | 28.75 | 117.24 |
| 5,442 | 256 | 3.50 | 6.10 | 15.62 | 132.86 |
| 5,694 | 252 | 3.25 | 5.67 | 14.29 | 147.15 |
| 6,148 | 454 | 3.25 | 5.67 | 25.74 | 172.89 |
| 6,528 | 380 | 2.50 | 4.36 | 16.57 | 189.46 |
| 6,973 | 445 | 2.50 | 4.36 | 19.40 | 208.86 |
| 7,448 | 475 | 2.50 | 4.36 | 20.71 | 229.57 |
| 7,639 | 191 | 2.25 | 3.93 | 7.51 | 237.08 |
| 7,860 | 221 | 2.25 | 3.93 | 8.69 | 245.77 |

Drilling Contractor: Rod Ric Drilling, LP

By: Pamela D. Lathram
Pamela D. Lathram -- Secretary

Subscribed and sworn to me before this 12th day of October, 2004.



Gracie Mata
Notary Public
Midland County, Texas

KC

District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Avenue, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| | |
|---------------------------|--|
| WELL API NO. | 30-025-36781 |
| 5. Indicate Type of Lease | STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| State Oil & Gas Lease No. | V-6626 |

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

| | |
|---|--|
| 1a. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input checked="" type="checkbox"/> OTHER _____ | 7. Lease Name or Unit Agreement Name Schubert 7 |
| b. Type of Completion: NEW <input checked="" type="checkbox"/> WORK <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG <input type="checkbox"/> DIFF. WELL OVER <input type="checkbox"/> BACK RESVR. <input type="checkbox"/> OTHER | |

| | |
|---|----------------------|
| 2. Name of Operator SAHARA OPERATING COMPANY | 8. Well No. 1 |
|---|----------------------|

| | |
|--|--|
| 3. Address of Operator P.O. BOX 4130, Midland, TX 79704 | 9. Pool name or Wildcat Wildcat |
|--|--|

4. Well Location
 Unit Letter J : 2313 Feet From The South Line and 2313 Feet From The East Line
 Section 7 Township 19S Range 39E NMPM Lea County

| | | | | |
|-----------------------------|----------------------------------|--|--|-------------------------------|
| 10. Date Spudded 9-22-04 | 11. Date T.D. Reached 10-7-04 | 12. Date Compl. (Ready to Prod.) Dry Hole | 13. Elevations (DF& RKB, RT, GR, etc.) 3585' GL | 14. Elev. Casinghead 3585' |
|-----------------------------|----------------------------------|--|--|-------------------------------|

| | | | | | |
|------------------------------|--------------------|--|-------------------------------------|--------------|-------------|
| 15. Total Depth 3600-7900 | 16. Plug Back T.D. | 17. If Multiple Compl. How Many Zones? | 18. Intervals Drilled By 0-7900' | Rotary Tools | Cable Tools |
|------------------------------|--------------------|--|-------------------------------------|--------------|-------------|

| | |
|---|---------------------------------------|
| 19. Producing Interval(s), of this completion - Top, Bottom, Name | 20. Was Directional Survey Made NO |
|---|---------------------------------------|

| | |
|--|--------------------------|
| 21. Type Electric and Other Logs Run CNL/LDT; BHC Sonic; Laterolog, Gamma Ray | 22. Was Well Cored NO |
|--|--------------------------|

23. CASING RECORD (Report all strings set in well)

| CASING SIZE | WEIGHT LB./FT. | DEPTH SET | HOLE SIZE | CEMENTING RECORD | AMOUNT PULLED |
|-------------|----------------|-----------|-----------|------------------|---------------|
| 8-5/8" | 24.0 | 1865' | 12-1/4" | 900 SX | - 0 - |
| | | | | | |
| | | | | | |
| | | | | | |

| 24. LINER RECORD | | | | | 25. TUBING RECORD | | |
|------------------|-----|--------|--------------|--------|-------------------|-----------|------------|
| SIZE | TOP | BOTTOM | SACKS CEMENT | SCREEN | SIZE | DEPTH SET | BACKER SET |
| | | | | | | | |

| | |
|---|---|
| 26. Perforation record (interval, size, and number) | 27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL AMOUNT AND KIND MATERIAL USED |
| | |

28. PRODUCTION

| | | | | | | | |
|-----------------------|---|--|------------------------|-----------|--------------|-----------------------------|-----------------|
| Date First Production | Production Method (Flowing, gas lift, pumping - Size and type pump) | Well Status (Prod. or Shut-in) Dry Hole | | | | | |
| Date of Test | Hours Tested | Choke Size | Prod'n For Test Period | Oil - Bbl | Gas - MCF | Water - Bbl. | Gas - Oil Ratio |
| Flow Tubing Press. | Casing Pressure | Calculated 24-Hour Rate | Oil - Bbl. | Gas - MCF | Water - Bbl. | Oil Gravity - API - (Corr.) | |

| | |
|--|---|
| 29. Disposition of Gas (Sold, used for fuel, vented, etc.) | Test Witnessed By <i>[Signature]</i> |
|--|---|

30. List Attachments
 Logs, record of inclination

31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief

| | | | |
|---------------------------------|---------------------------------|--------------------|------------------|
| Signature <i>[Signature]</i> | Printed Robert McAlpine Name | President Title | 11-11-04 Date |
|---------------------------------|---------------------------------|--------------------|------------------|

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

| Southeastern New Mexico | | Northwestern New Mexico | |
|---------------------------|------------------------|-----------------------------|------------------------|
| T. Anhy <u>1775</u> | T. Canyon _____ | T. Ojo Alamo _____ | T. Penn. "B" _____ |
| T. Salt <u>1880</u> | T. Strawn _____ | T. Kirtland-Fruitland _____ | T. Penn. "C" _____ |
| B. Salt <u>2900</u> | T. Atoka _____ | T. Pictured Cliffs _____ | T. Penn. "D" _____ |
| T. Yates <u>2930</u> | T. Miss _____ | T. Cliff House _____ | T. Leadville _____ |
| T. 7 Rivers <u>3160</u> | T. Devonian _____ | T. Menefee _____ | T. Madison _____ |
| T. Queen <u>3710</u> | T. Silurian _____ | T. Point Lookout _____ | T. Elbert _____ |
| T. Grayburg <u>4080</u> | T. Montoya _____ | T. Mancos _____ | T. McCracken _____ |
| T. San Andres <u>4396</u> | T. Simpson _____ | T. Gallup _____ | T. Ignacio Otzte _____ |
| T. Glorieta <u>5715</u> | T. McKee _____ | Base Greenhorn _____ | T. Granite _____ |
| T. Paddock <u>5858</u> | T. Ellenburger _____ | T. Dakota _____ | T. _____ |
| T. Blinbry <u>6260</u> | T. Gr. Wash _____ | T. Morrison _____ | T. _____ |
| T. Tubb <u>6820</u> | T. Delaware Sand _____ | T. Todilto _____ | T. _____ |
| T. Drinkard <u>7050</u> | T. Bone Springs _____ | T. Entrada _____ | T. _____ |
| T. Abo <u>7464</u> | T. _____ | T. Wingate _____ | T. _____ |
| T. Wolfcamp _____ | T. _____ | T. Chinle _____ | T. _____ |
| T. Penn _____ | T. _____ | T. Permian _____ | T. _____ |
| T. Cisco (Bough C) _____ | T. _____ | T. Penn "A" _____ | T. _____ |

OIL OR GAS SANDS OR ZONES

No. 1, from.....to.....
 No. 2, from.....to.....
 No. 3, from.....to.....
 No. 4, from.....to.....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.
 No. 1, from.....to.....feet.....
 No. 2, from.....to.....feet.....
 No. 3, from.....to.....feet.....

LITHOLOGY RECORD (Attach additional sheet if necessary)

| From | To | Thickness In Feet | Lithology | From | To | Thickness In Feet | Lithology |
|------|------|----------------------|------------------------|------|----|----------------------|-----------|
| 2600 | 2900 | 300 | Salt, Redbed, Shale | | | | |
| 2900 | 3130 | 230 | Anhydrite, salt, shale | | | | |
| 3130 | 4080 | 950 | Anhydrite, Dolomite | | | | |
| 4080 | 4430 | 350 | Dolomite, Anhydrite | | | | |
| 4430 | 7500 | 3070 | Dolomite, Limestone | | | | |
| 7500 | 7900 | 400 | Dolomite | | | | |

Feb 22 05 03:44p
C-104A Form

p. 2
Page 1 of 1

District I
1625 N. French Dr., Hobbs, NM
88240

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-104A
Permit 2278

Change of Operator

Previous Operator Information

OGRID: 20077
Name: SAHARA OPERATING CO
Address: PO Box 4130
Address: _____
City, State, Zip: Midland, TX 79704

New Operator Information

Effective Date: 10/18/2004
OGRID: 131652
Name: HRC INC
Address: PO BOX 5102
Address: _____
City, State, Zip: HOBBS, NM 8

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous Operator

Signature: *George McAlpine*
Printed Name: George McAlpine
Title: Vice-President
Date: 02/22/05 Phone: 432-697-0967

New Operator

Signature: *Gary Schubert*
Printed Name: Gary Schubert
Title: Manager
Date: 02/22/05 Phone: 505-393-6662

NMOCD Approval

Electronic Signature: Chris Williams, District I
Date: February 23, 2005

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department
Oil Conservation Division

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H.R.C., INC. ("OPERATOR") of P.O. BOX 5011
HOBBS N.M. 88241 (address) has deposited with
FIRST NATIONAL BANK (name of federally insured state or national
bank or savings association in the State of New Mexico) of 600 WEST BENDER
HOBBS N.M. (address) (FINANCIAL INSTITUTION), the sum of
\$7,500.00 dollars (\$) in Certificate of Deposit or Savings Account No. 280219833(FUND).

To comply with NMSA 1978, Section 70-2-14, as amended, OPERATOR hereby assigns all right, title and interest in the FUND, except as herein otherwise provided, to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION).

OPERATOR and FINANCIAL INSTITUTION agree that as to the FUND:

- a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with the right to order the FINANCIAL INSTITUTION in writing to distribute the FUND to persons determined by the DIVISION to be entitled thereto, including the DIVISION itself, in amounts determined by the DIVISION, without further consent by the OPERATOR. FINANCIAL INSTITUTION hereby acknowledges that the DIVISION IS FINANCIAL INSTITUTION'S customer with respect to the FUND.
- b. OPERATOR retains no legal or beneficial interest in the FUND except the right to interest, if any, thereon, and to return of the FUND upon written order of the DIVISION following final disposition, or plugging and abandonment in accordance with all rules and orders of the DIVISION, of all wells in the State of New Mexico for which this Assignment now or hereafter serves as financial assurance
- c. FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, pledged or distributed except upon written order of the DIVISION or of a court order entered in a proceeding to which the DIVISION is a party. FINANCIAL INSTITUTION hereby waives all statutory or common law liens or rights of set-off or recoupment against the FUND by reason of any indebtedness or obligation of OPERATOR to FINANCIAL INSTITUTION now existing or hereafter incurred.
- d. OPERATOR agrees that FINANCIAL INSTITUTION may deduct, solely from interest due OPERATOR, any costs or attorney fees incurred by FINANCIAL INSTITUTION by reason of any claim or demand via writ, summons or other process made upon FINANCIAL INSTITUTION arising from OPERATOR'S business. FINANCIAL INSTITUTION agrees that no such costs or fees shall be deducted from the principal of the FUND prior to final release thereof to OPERATOR by the DIVISION.

This agreement shall be governed by the laws of the State of New Mexico.

H.R.C. INC.

Operator

By: [Signature]
Signature of individual OPERATOR
or Authorized Officer

Title PRESIDENT

FIRST NATIONAL BANK

Financial Institution

By: [Signature]
Signature of Authorized Officer
of FINANCIAL INSTITUTION

Title PRESIDENT

NOTE: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of a certified resolution of the Board of Directors evidencing such officer's authority.

INDIVIDUAL ACKNOWLEDGMENT:

State of New Mexico
County of _____

This instrument was acknowledged before me on _____, 20__ by

(Individual Operator)

Notary Public

SEAL

My Commission Expires:

ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:

State of New Mexico:
County of Lea :

This instrument was acknowledged before me on Dec 21st, 2004 by Gary Schubert
as President, of H.R.C., Inc. (Name of Person Signing)
(Capacity, e.g., Partner, President, etc.) (Name of Operator)
a Corporation
(Partnership, Corporation or Limited Liability Company)



OFFICIAL SEAL
Mary Martinez
NOTARY PUBLIC-STATE OF NEW MEXICO

Mary Martinez
Notary Public

SEAL

My commission expires: 8-9-08

My Commission Expires:
8-9, 2008

FINANCIAL INSTITUTION ACKNOWLEDGMENT:

State of New Mexico:
County of Lea :

This instrument was acknowledged before me on Dec. 21st, 2004 by Zane S. Berman,
as President of First National Bank (Name of Officer)
(Title) (Name of Financial Institution)



OFFICIAL SEAL
Mary Martinez
NOTARY PUBLIC-STATE OF NEW MEXICO

Mary Martinez
Notary Public

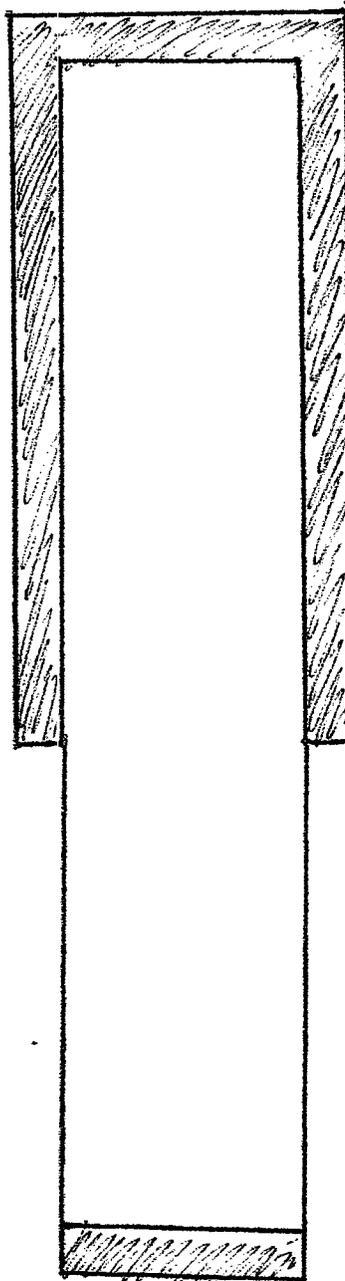
SEAL

My commission expires: 8-9-08

My Commission Expires:
8-9, 2008

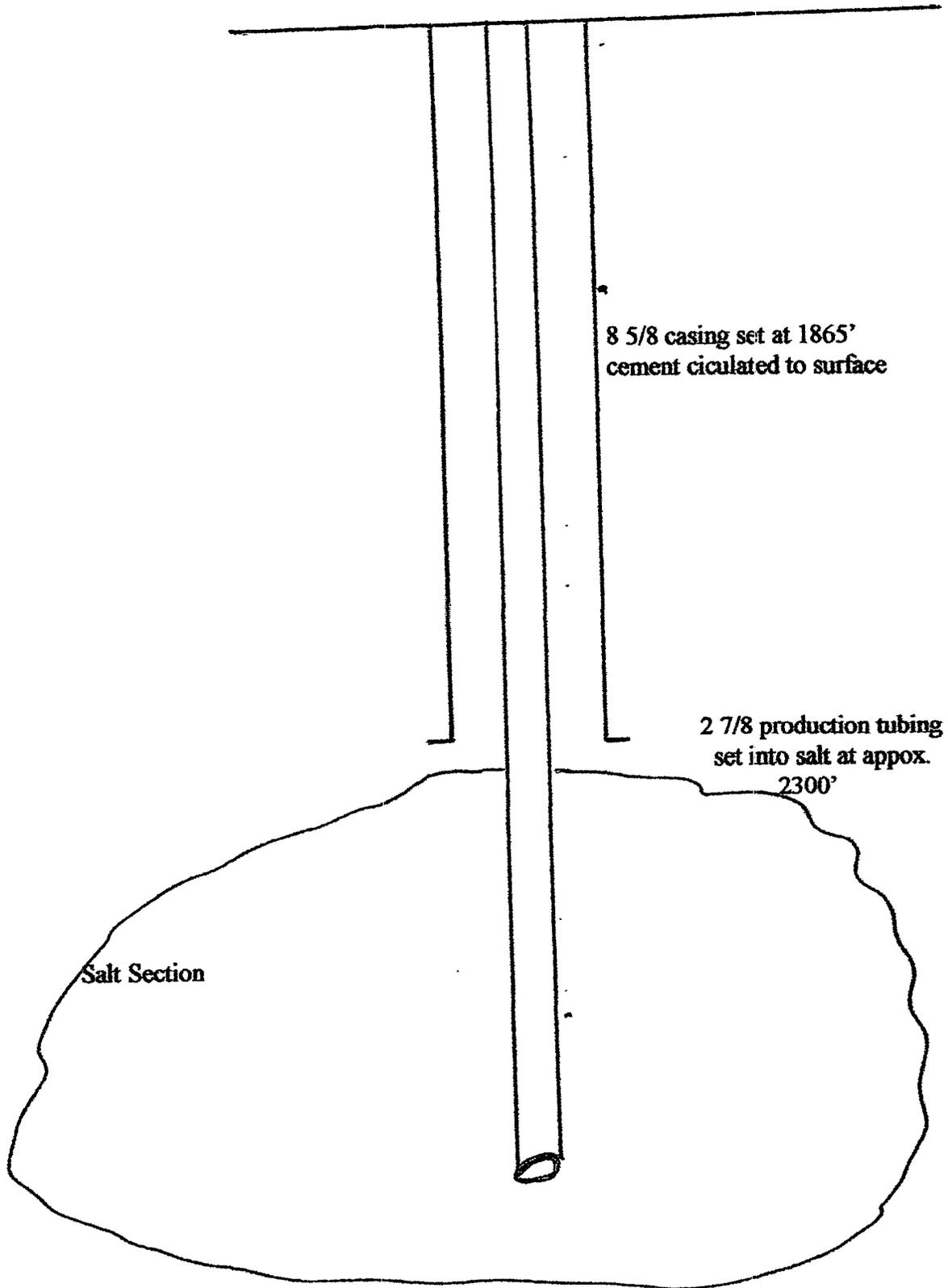
**Existing Condition
H.R.C., Inc.
Schubert 7 #1**

Casing:
Size: 8 5/8
Depth: 1865'
Hole size: 12.25"
Cmt: 900 sxs
TOC: circ. 278 sx.
To pit

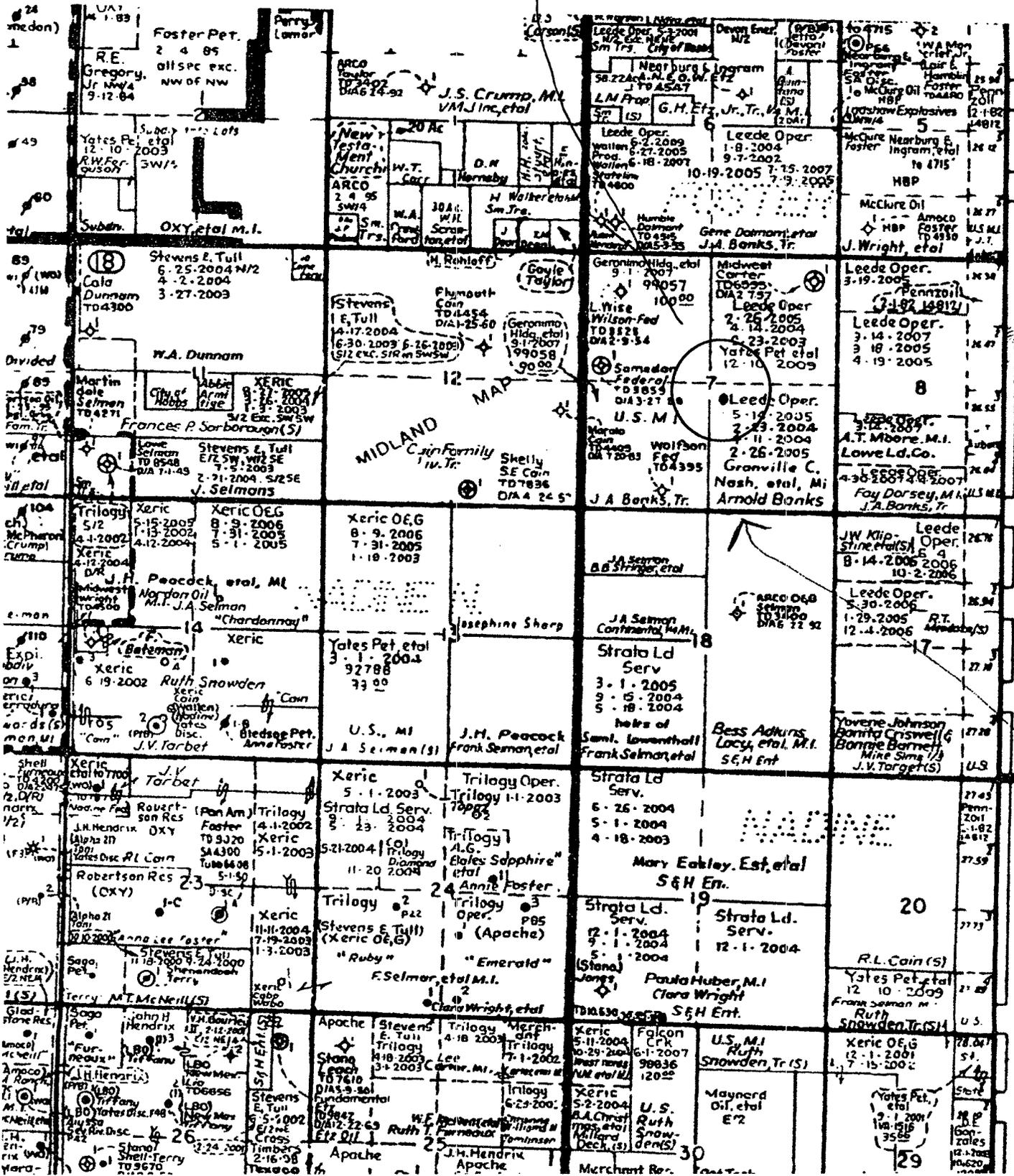


**Well plugged back to
2947'
(10/8/04)
(See attached C-103
Of 10/11/04)**

Proposed completion for
HRC Brine Well
Schubert 7 #1



Area of Review



BLK. A-10

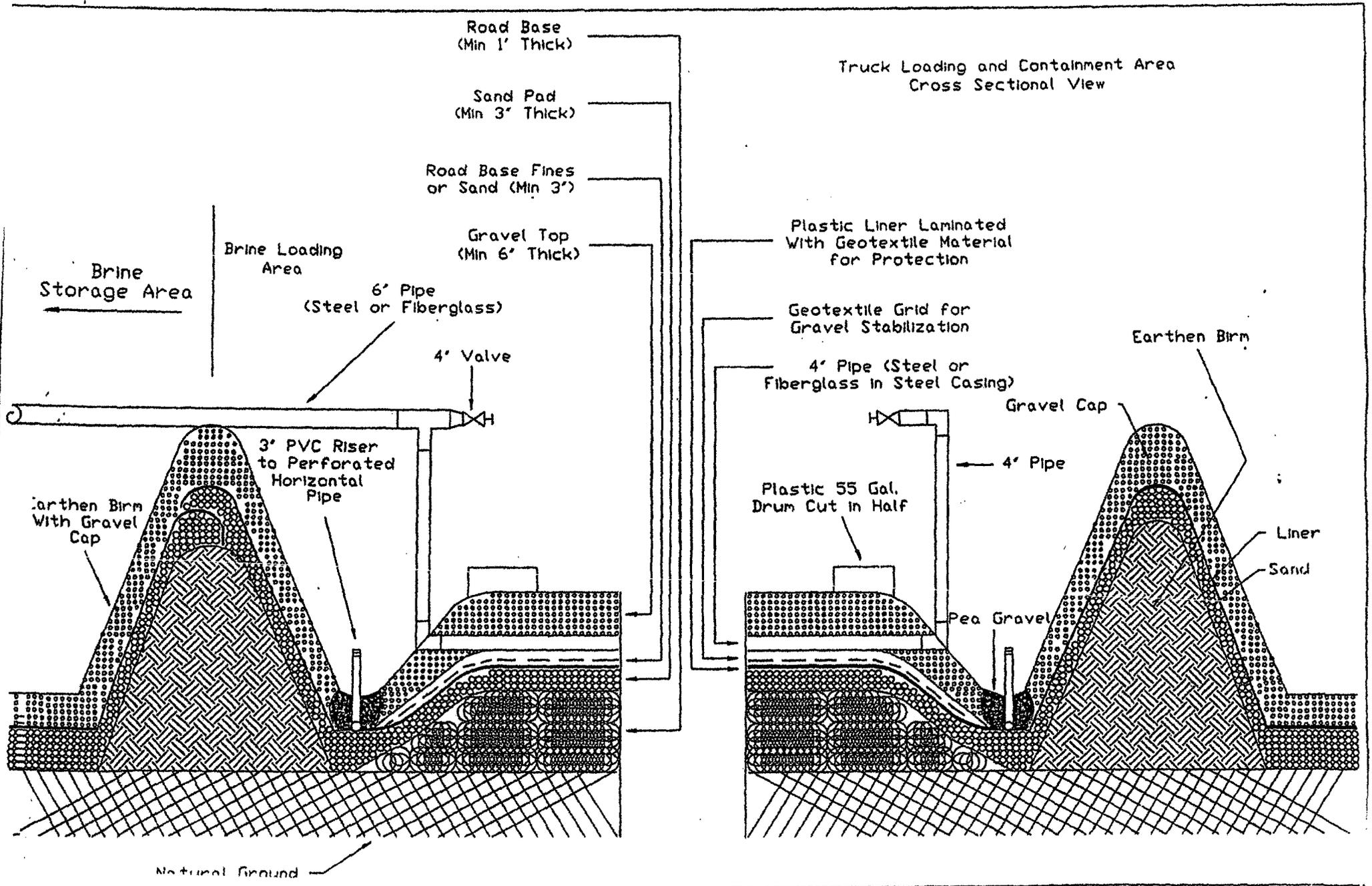
32°40'

T
19
S

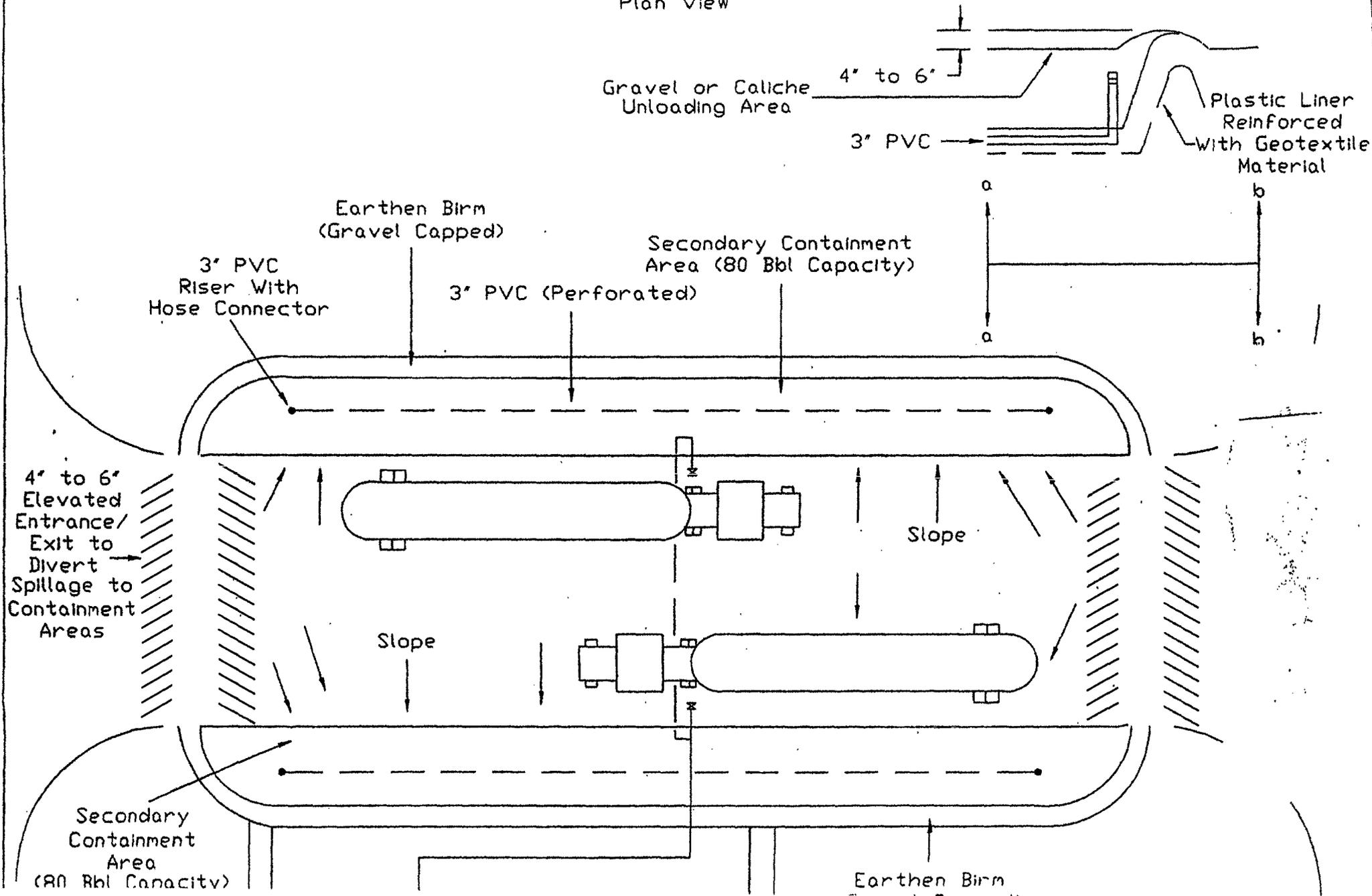
B

LIST OF WELLS WITHIN AREA OF REVIEW

No wells within area of review.



Truck Loading and Containment Area
Plan View



Brine Storage Containment Area Specification Drawing
(Containment Area Sized For 133% Of Tank Storage Capacity)

500 Bbl
Welded Cone Roof
Tank - Internally
Coated

500 Bbl
Welded Cone Roof
Tank - Internally
Coated

Truck Load
Out Area

6" to 8" of Gravel

4" to 6"
Compacted
Earthen Fill

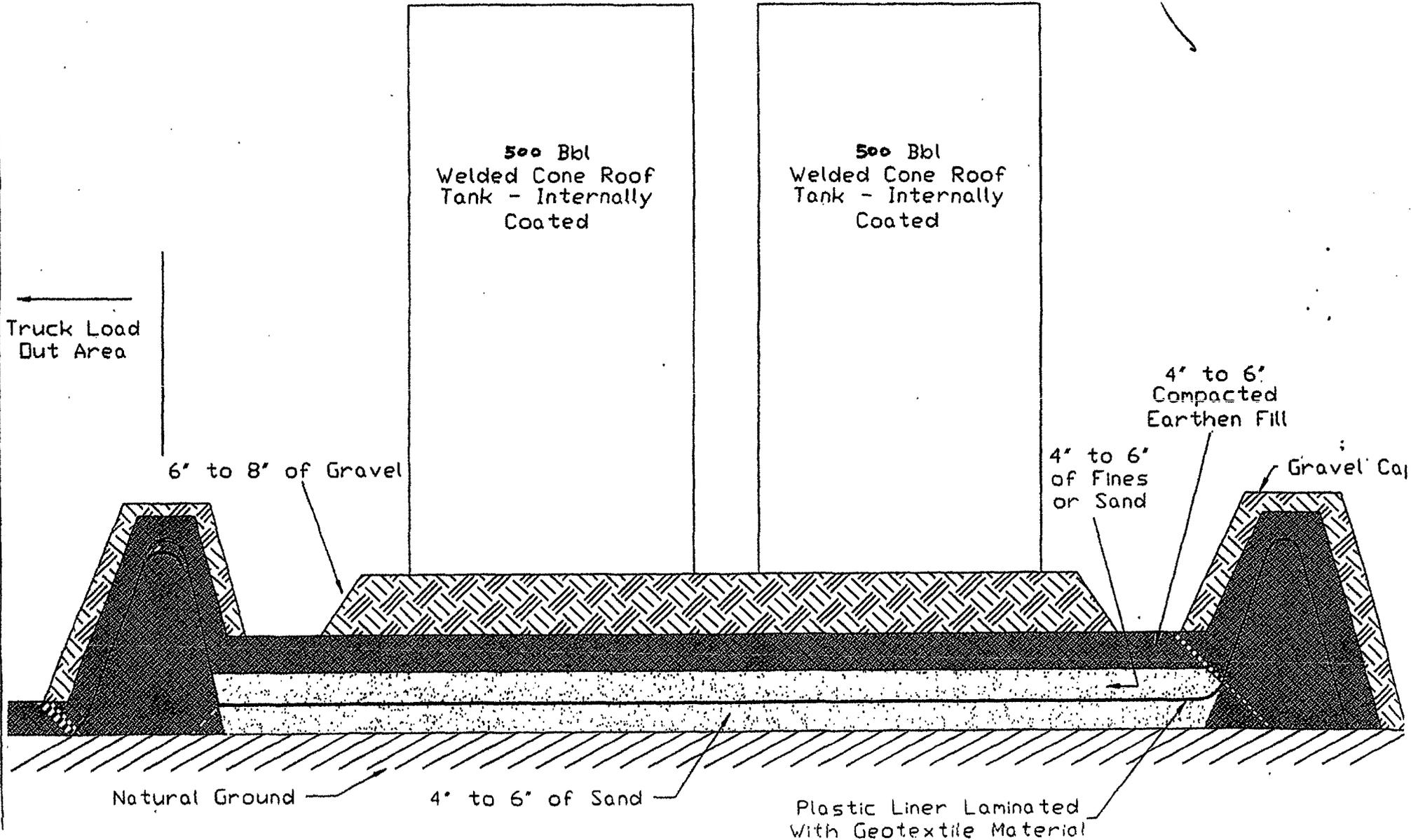
4" to 6"
of Fines
or Sand

Gravel Cap

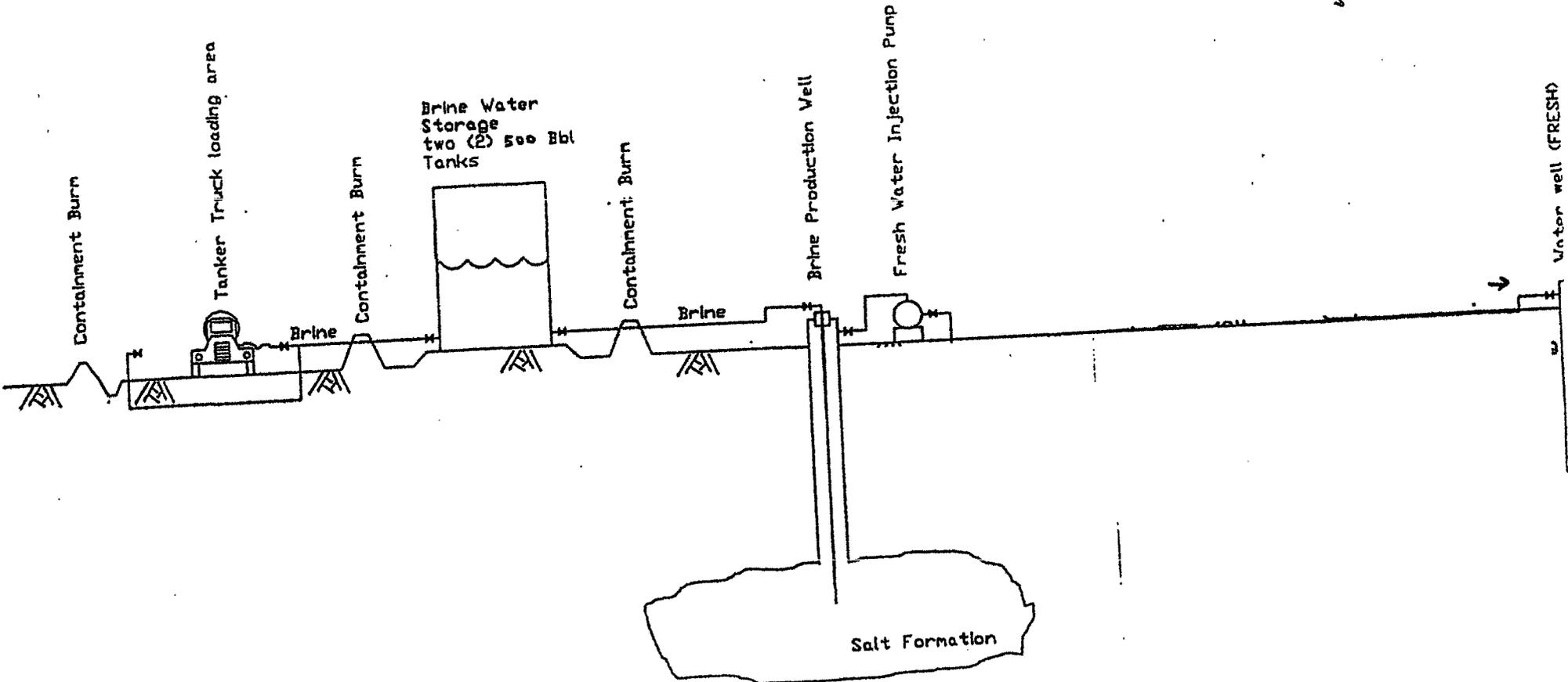
Natural Ground

4" to 6" of Sand

Plastic Liner Laminated
With Geotextile Material



← FLOW



PROCESS FLOW DIAGRAM

GENERALIZED SECTIONS SOUTHEASTERN NEW MEXICO

| PLATFORM - SHELF | | | | DELAWARE BASIN | | | | |
|------------------|------------------|---------------|--|----------------|-------------------|--------------|---------------|--|
| SYSTEM | SERIES | GROUP | FORMATION | FORMATION | GROUP | SERIES | SYSTEM | |
| QUATERNARY | | | "Palms, Colliery & Ashcroft" | | | | QUATERNARY | |
| TERTIARY | | | OGALLALA | OGALLALA | | | TERTIARY | |
| CRETACEOUS | (Wedge on Shelf) | | | | | | | |
| TRIASSIC | DOCKUM | DOCKUM | CHINLE <small>Green Leds Sand Beds Red Beds</small> | DOCKUM | DOCKUM | | TRIASSIC | |
| | | SALADO | "Salt B. Amphibia" | SALADO | DOCKUM | | | |
| PERMIAN | GUADALUPIAN | ARTESIA GROUP | TANKILL | BELL CANYON | DELAWARE MOUNTAIN | GUADALUPIAN | PERMIAN | |
| | | | YATES | CHERRY CANYON | | | | |
| | | | SEVEN RIVERS | BUSHY CANYON | | | | |
| | | CHALK BLUFF | | | | | | |
| | | WHITEHORSE | | | | | | |
| | LEONARDIAN | ABO | ABO | GLORIETA | BONE SPRINGS | BONE SPRINGS | LEONARDIAN | |
| | | | | PADOCK | | | | |
| | | | | BLINEBRY | | | | |
| | | | | TUBB | | | | |
| | | | | DRINKLAND | | | | |
| PENNSYLVANIAN | WOLF-CAMP | "WOLFCAMP" | WOLF-CAMP | WOLF-CAMP | WOLF-CAMP | WOLF-CAMP | | |
| | | | UNDEFINED | UNDEFINED | | | | |
| | | | PERNO - PENN. | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | MISSISSIPPIAN | HERAHEC | N.D. | MISS. LS. | MISS. LS. | N.D. | MISSISSIPPIAN | |
| | | | | OSAGE | | | | |
| | | | | UNDEFINITION | | | | |
| | | | | | | | | |
| | | | | | | | | |
| DEVONIAN | N.D. | N.D. | DEVONIAN | DEVONIAN | N.D. | DEVONIAN | | |
| | | | | | | | | |
| SILURIAN | WAGARAW | FUSSELLMAN | | FUSSELLMAN | WAGARAW | SILURIAN | | |
| | | | | | | | | |
| ORDOVICIAN | UPPER | N.D. | MONTOYA | MONTOYA | N.D. | ORDOVICIAN | | |
| | | | MECKE | MECKE | | | | |
| | MIDDLE | SIMPSON | WADDELL | WADDELL | SIMPSON | MIDDLE | | |
| | | | CONNELL | CONNELL | | | | |
| | LOWER | ELLENBURGER | ELLENBURGER | ELLENBURGER | LOWER | | | |

PRE-CAMBRIAN

GRANITE WASH

GRANITE WASH

N.D. = Not Defined.

John W. Romyro
N.M. D.C.C. - Hobbs

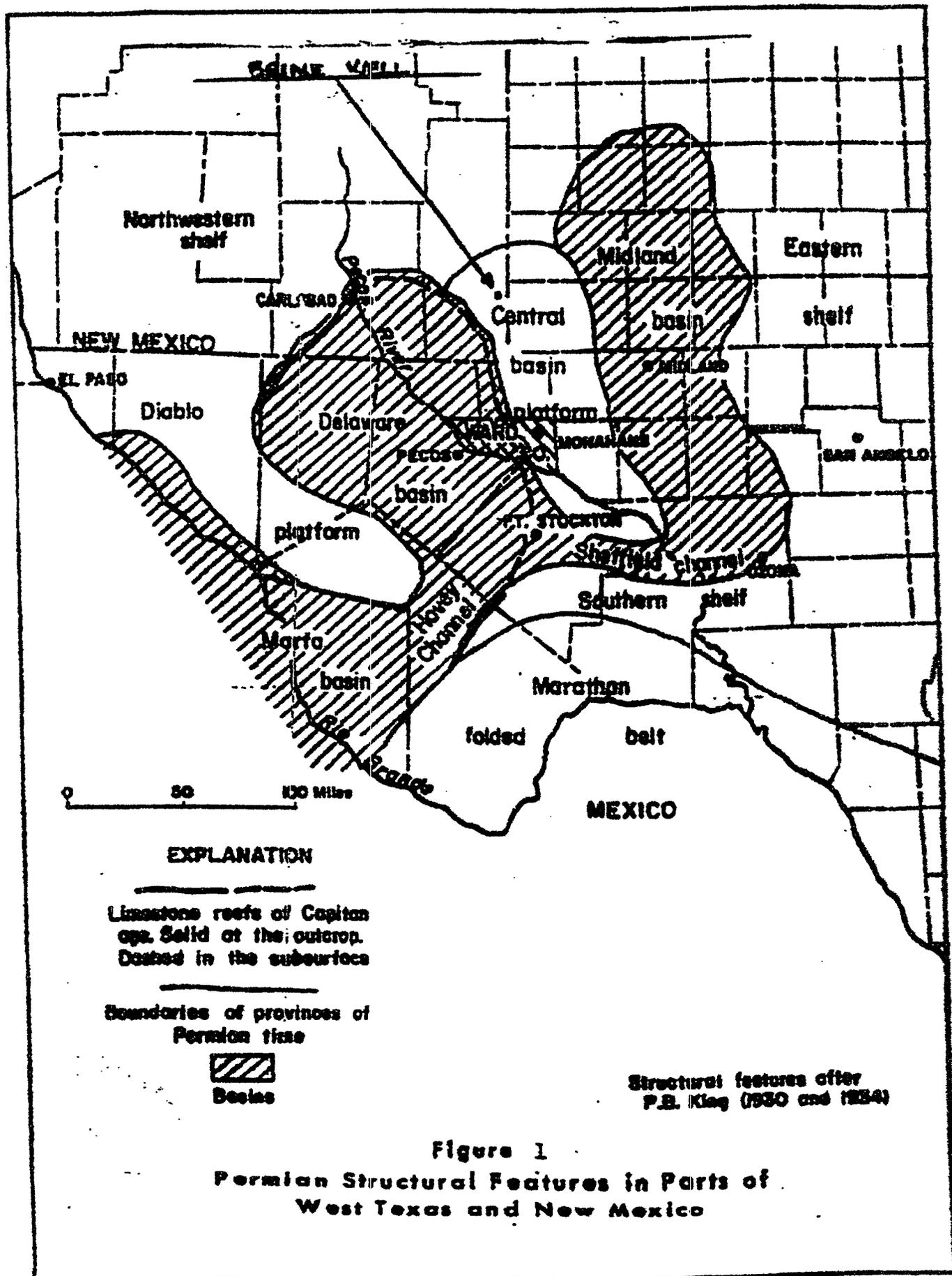
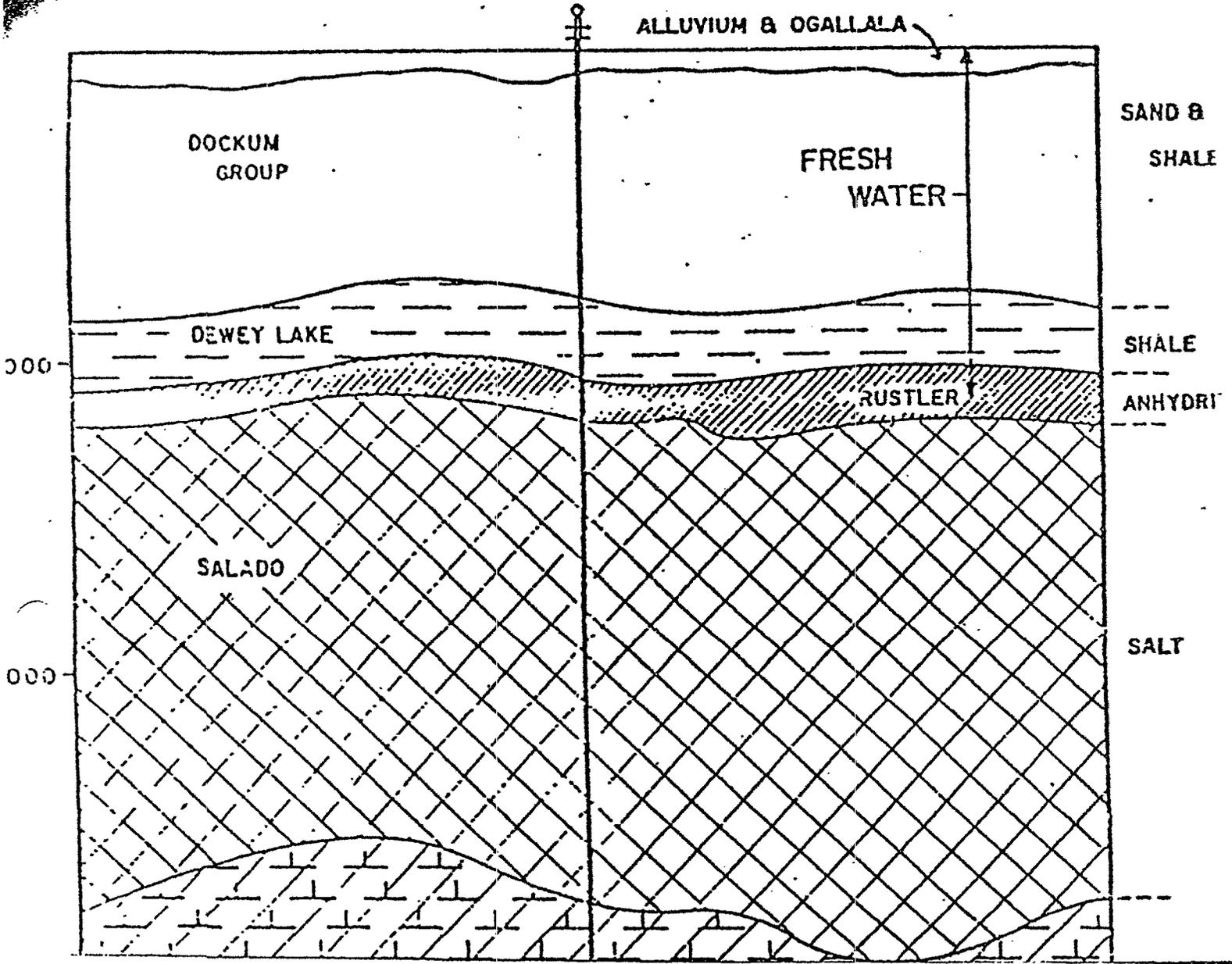


Figure 1
Permian Structural Features in Parts of
West Texas and New Mexico

SCHEMATIC OF A LEA COUNTY INJECTION WELL

M. HOLLAND OGD '80



WELL LOGS

| | | | |
|---------------------------------|--|--------------------------------------|-----|
| API number: 30-025-36781 | | | |
| OGRID: | | Operator: SAHARA OPERATING CO | |
| | | Property: SCHUBERT 7 | # 1 |

| | | | | |
|---------|----------|----------|----------|-------|
| surface | ULSTR: J | 7 | T 19S | R 39E |
| | | 2313 FSL | 2313 FEL | |

| | | | | |
|--------|----------|----------|----------|-------|
| BH Loc | ULSTR: J | 7 | T 19S | R 39E |
| | | 2313 FSL | 2313 FEL | |

| | | | | | |
|---------------|------|-----|------|-----|------|
| Ground Level: | 3585 | DF: | 3598 | KB: | 3599 |
| Datum: | KB | | | TD: | 7900 |

Land: **STATE**
Completion Date: (1) **10/9/2004**
Date Logs Received: **11/15/2004** ****Late****
Date Logs Due in: (2) **10/29/2004**

| | | | | |
|---------------|----|--|-----------|--|
| Confidential: | NO | | Date out: | |
|---------------|----|--|-----------|--|

Confidential period: 90 Days for State & Fee, 1 Year for federal
 Date Due In: (1) is equal to Completion Date (1) + 20 days

| Logs | Depth interval | | |
|----------|----------------|------|--|
| DSN/SDL | 1862 | 7600 | Spectral Density Dual Spaced Neutron |
| DLL/MSFL | 2800 | 7680 | Dual Laterolog Micro Spherically Focused Log |
| BHC | 1862 | 7624 | Borehole Compensated Sonic |
| | | | |
| | | | |
| | | | |

OCD TOPS

| | | | | |
|--------------|------|--------|--|--|
| Rustler | 1773 | Strawn | | |
| Tansill | | Atoka | | |
| Yates | 2930 | Morrow | | |
| 7R | 3159 | | | |
| T. Bowers Sd | | | | |
| B. Bowers Sd | | | | |
| Queen | 3722 | | | |
| Penrose | | | | |
| Grayburg | 4080 | | | |
| San Andres | 4396 | | | |
| Glorieta | 5715 | | | |
| Tubb | 6820 | | | |
| Drinkard | 7050 | | | |
| Abo | 7464 | | | |
| Wolfcamp | | | | |
| | | | | |
| | | | | |

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

| Southeastern New Mexico | | Northwestern New Mexico | |
|---------------------------|------------------------|-----------------------------|------------------------|
| T. Anby <u>1775</u> | T. Canyon _____ | T. Ojo Alamo _____ | T. Penn. "B" _____ |
| T. Salt <u>1880</u> | T. Strawn _____ | T. Kirtland-Fruitland _____ | T. Penn. "C" _____ |
| B. Salt <u>2900</u> | T. Atoka _____ | T. Pictured Cliffs _____ | T. Penn. "D" _____ |
| T. Yates <u>2930</u> | T. Miss _____ | T. Cliff House _____ | T. Leadville _____ |
| T. 7 Rivers <u>3160</u> | T. Devonian _____ | T. Menefee _____ | T. Madison _____ |
| T. Queen <u>3710</u> | T. Silurian _____ | T. Point Lookout _____ | T. Elbert _____ |
| T. Grayburg <u>4080</u> | T. Montoya _____ | T. Mancos _____ | T. McCracken _____ |
| T. San Andres <u>4396</u> | T. Simpson _____ | T. Gallup _____ | T. Ignacio Otzie _____ |
| T. Glorieta <u>5715</u> | T. McKee _____ | Base Greenhorn _____ | T. Granite _____ |
| T. Paddock <u>5858</u> | T. Ellenburger _____ | T. Dakota _____ | T. _____ |
| T. Blinebry <u>6260</u> | T. Gr. Wash _____ | T. Morrison _____ | T. _____ |
| T. Tubb <u>6820</u> | T. Delaware Sand _____ | T. Todilto _____ | T. _____ |
| T. Drinkard <u>7050</u> | T. Bone Springs _____ | T. Entrada _____ | T. _____ |
| T. Abo <u>7464</u> | T. _____ | T. Wingate _____ | T. _____ |
| T. Wolfcamp _____ | T. _____ | T. Chinle _____ | T. _____ |
| T. Penn _____ | T. _____ | T. Permian _____ | T. _____ |
| T. Cisco (Bough C) _____ | T. _____ | T. Penn "A" _____ | T. _____ |

OIL OR GAS SANDS OR ZONES

No. 1, from.....to.....
 No. 2, from.....to.....
 No. 3, from.....to.....
 No. 4, from.....to.....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from.....to.....feet.....
 No. 2, from.....to.....feet.....
 No. 3, from.....to.....feet.....

LITHOLOGY RECORD (Attach additional sheet if necessary)

| From | To | Thickness In Feet | Lithology | From | To | Thickness In Feet | Lithology |
|------|------|----------------------|------------------------|------|----|----------------------|-----------|
| 2600 | 2900 | 300 | Salt, Redbed, Shale | | | | |
| 2900 | 3130 | 230 | Anhydrite, salt, shale | | | | |
| 3130 | 4080 | 950 | Anhydrite, Dolomite | | | | |
| 4080 | 4430 | 350 | Dolomite, Anhydrite | | | | |
| 4430 | 7500 | 3070 | Dolomite, Limestone | | | | |
| 7500 | 7900 | 400 | Dolomite | | | | |

| DISTRIBUTION | TAXABLE VALUE | TAX RATES | AMOUNT DUE |
|------------------|---------------|-----------|---------------|
| STATE -N/R | 26652 | 1.028 | 27.40 |
| COUNTY -N/R | 26652 | 10.600 | 282.51 |
| SCHOOL -N/R | 26652 | 8.883 | 236.75 |
| NON-RES SUBTOTAL | 26652 | 20.511 | 546.66 |
| JUNIOR COLLEGE | 26652 | 5.000 | 133.26 |
| TOTAL | | | 679.92 |

School District: 160

2004 TAX BILL

Remit to: **PAM ZIMMERMAN**
 Lea County Treasurer
 100 N Main Ave Suite 3C
 Lovington NM 88260-4000
 (505) 396-8643

Bill No: 2004-0027643

Owner No: 0041465

| PROPERTY # | DESCRIPTION |
|-------------------|--|
| 4 000 414 650 002 | SECTION-07 TOWNSHIP-19S RANGE-39E 640.00 AC ALL *FOR 1987 COMBINED 43077, 43075, 43076, 41140, 40504, 42250* 2/20/04-REDESCRIBED PRT TO #202618, CONTRACT LOVE, KEVIN |
| 4 000 414 650 003 | SECTION-08 TOWNSHIP-19S RANGE-39E 426.04 AC BEING ALL *FOR 1987 COMBINED 43077, 41466, 41265* *10/98-BANKS FARM MANAGEMENT TR* 2/20/04-REDESCRIBED PRT TO #202618, LOVE, KEVIN |

OKg MEG

| SUBSTITUTION | FULL VALUE | TAXABLE VALUE |
|------------------------|------------|---------------|
| LAND | 78888 | 26296 |
| IMPROVEMENT | 1068 | 356 |
| NET | | 26652 |
| TOTAL NET VALUE | | 26652 |

Your mortgage company may be paying this bill. However, it is the responsibility of the property owner to ensure property taxes are paid. Owners with mortgages should contact lender to determine responsibility for payment of tax.

First half payment or payment in full will be delinquent after December 10. Second half payment will be delinquent after May 10.

THIS IS THE ONLY NOTICE YOU WILL RECEIVE FOR BOTH INSTALLMENTS OF TAX.

Your canceled check is your receipt unless you provide a self-addressed, stamped envelope.

| YEAR | PRINCIPAL | TAX | INTEREST | PENALTY | SALE | AMOUNT DUE |
|------|-----------|-----|----------|---------|------|------------|
| | | | | | | |

PRIOR TAXES, IF ANY, MUST BE PAID BEFORE ACCEPTING CURRENT YEAR PAYMENT.

Tax Rates are expressed in Dollars per Thousand. Taxable Value is 33 1/3% of Full Value.

Remit to:
PAM ZIMMERMAN
 Lea County Treasurer
 100 N Main Ave Suite 3C
 Lovington NM 88260-4000
 (505) 396-8643

Lea County - 1ST HALF COUPON

| | | |
|-----------------|-----------------|----------|
| Due November 10 | 1st Half Amount | \$339.96 |
|-----------------|-----------------|----------|

The first half amount includes prior taxes if any.

TO PAY IN FULL \$679.92

Bill No: 2004-0027643 Owner No: 0041465

Print this Bill No. & Owner No. on your check or money order.

Send both coupons with full year payment or detach and return this coupon with first half payment. Keep the coupon to the right for second half payment. To avoid interest and penalty charges, pay by December 10th.

SCHUBERT, GARY M
 PO BOX 6056
 HOBBS NM 88241-6056

16221

Lea County - 2ND HALF COUPON

| | | |
|--------------|-----------------|----------|
| Due April 10 | 2nd Half Amount | \$339.96 |
|--------------|-----------------|----------|

Bill No: 2004-0027643

Owner No: 0041465

Print this Bill No. & Owner No. on your check or money order.

Owner:

SCHUBERT, GARY M
 PO BOX 6056
 HOBBS NM 88241-6056

Remit to:
 Lea County Treasurer
 100 N Main Ave Suite 3C
 Lovington NM 88260-4000
 (505) 396-8643

To avoid interest and penalty charges, pay by May 10. Detach and return this coupon with second half payment by May 10.



If your address has changed, please check this box and indicate address changes on the back of this coupon.



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
 H.R.C. INC.
 ATTN: GARY SCHUBERT
 P.O. BOX 5011
 HOBBS, NM 88241
 FAX TO: (505) 393-6662

Receiving Date: 03/07/05
 Reporting Date: 03/10/05
 Project Owner: SCHUBERT
 Project Name: IRR WELL
 Project Location: SEC 7-T19S-R39E

Sampling Date: 03/07/05
 Sample Type: GROUNDWATER
 Sample Condition: COOL & INTACT
 Sample Received By: BC
 Analyzed By: AH

| LAB NUMBER | SAMPLE ID | Na (mg/L) | Ca (mg/L) | Mg (mg/L) | K (mg/L) | Conductivity (μ S/cm) | T-Alkalinity (mgCaCO ₃ /L) |
|------------|-----------|--------------|--------------|--------------|-------------|-------------------------------|--|
|------------|-----------|--------------|--------------|--------------|-------------|-------------------------------|--|

| ANALYSIS DATE: | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 |
|-----------------------------|-------------|-----------|----------|----------|----------|----------|----------|
| H9614-1 IRR. WELL | 64 | 106 | 33 | 4.01 | 1077 | 180 | |
| Quality Control | NR | 58 | 54 | 4.90 | 1322 | NR | |
| True Value QC | NR | 50 | 50 | 5.00 | 1413 | NR | |
| % Recovery | NR | 116 | 108 | 98.0 | 93.6 | NR | |
| Relative Percent Difference | NR | 3.1 | 3.8 | 0.8 | 0.7 | NR | |
| METHODS: | SM3500-Ca-D | 3500-Mg E | 8049 | 120.1 | 310.1 | | |

| | Cl ⁻ (mg/L) | SO ₄ (mg/L) | CO ₃ (mg/L) | HCO ₃ (mg/L) | pH (s.u.) | TDS (mg/L) |
|--|---------------------------|---------------------------|---------------------------|----------------------------|--------------|---------------|
|--|---------------------------|---------------------------|---------------------------|----------------------------|--------------|---------------|

| ANALYSIS DATE: | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 | 03/08/05 |
|-----------------------------|-------------|----------|----------|----------|----------|----------|----------|
| H9614-1 IRR. WELL | 180 | 107 | 0 | 220 | 6.63 | 948 | |
| Quality Control | 950 | 50.33 | NR | 961 | 7.03 | NR | |
| True Value QC | 1000 | 50.00 | NR | 1000 | 7.00 | NR | |
| % Recovery | 95.0 | 101 | NR | 96.1 | 100 | NR | |
| Relative Percent Difference | 5.0 | 0.2 | NR | 1.6 | 0.9 | 1.4 | |
| METHODS: | SM4500-Cl-B | 375.4 | 310.1 | 310.1 | 150.1 | 160.1 | |

Amy Hill
 Chemist

3/10/05
 Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



**ARDINAL
LABORATORIES**

PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

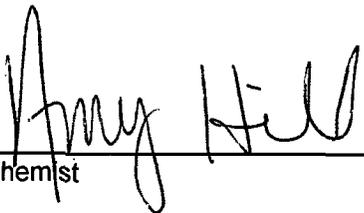
ANALYTICAL RESULTS FOR
H.R.C. INC.
ATTN: GARY SCHUBERT
P.O. BOX 5011
HOBBS, NM 88241
FAX TO: (505) 393-6662

Receiving Date: 03/07/05
Reporting Date: 03/10/05
Project Owner: SCHUBERT
Project Name: IRR WELL
Project Location: SEC 7-T19S-R39E

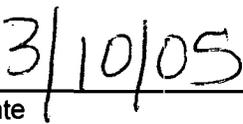
Sampling Date: 03/07/05
Sample Type: GROUNDWATER
Sample Condition: COOL & INTACT
Sample Received By: BC
Analyzed By: AH

Total Metals

| LAB NUMBER | SAMPLE ID | Ba (mg/L) | Fe (mg/L) |
|-----------------------------|-----------|--------------|--------------|
| ANALYSIS DATE: | | 03/10/05 | 03/10/05 |
| H9614-1 | IRR. WELL | <1 | 0.256 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Quality Control | | 24.32 | 5.240 |
| True Value QC | | 25.00 | 5.000 |
| % Recovery | | 97.3 | 105 |
| Relative Percent Difference | | 1.0 | 0.4 |
| METHODS: EPA 600/4-79-020 | | 208.1 | 236.1 |



Chemist



Date

PLEASE NOTE: **Liability and Damages.** Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



CARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240
(325) 673-7001 Fax (325) 673-7020 (505) 393-2326 Fax (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page ___ of ___

| | | | | | | | | | | | | | |
|---|--|--------------------------------|--|--------------------------------|-------------|------------|------|---|----------|---------|---------------|-------------|---------|
| Company Name: H. R. Co. INC. | | | | BILL TO | | | | ANALYSIS REQUEST | | | | | |
| Project Manager: GARY SCHUBERT | | | | P.O. #: | | | | Cations/anions NO3 Specific Gravity BA FE | | | | | |
| Address: P.O. Box 5011 | | | | Company: | | | | | | | | | |
| City: HOBBS | | State: N.M. | | Zip: 88241 | | Attn: | | | | | | | |
| Phone #: 505-393-6662 | | Fax #: SAME | | Address: | | | | | | | | | |
| Project #: SCHUBERT FARMS | | Project Owner: SCHUBERT | | City: | | | | | | | | | |
| Project Name: IRR. WELL | | | | State: | | Zip: | | | | | | | |
| Project Location: SEC. 7 - T19S - R39E | | | | Phone #: | | | | | | | | | |
| Sampler Name: GARY SCHUBERT | | | | Fax #: | | | | | | | | | |
| FOR LAB USE ONLY | | | | | | | | | | | | | |
| Lab I.D. | | Sample I.D. | | (GRAB OR (C)OMP. # CONTAINERS) | MATRIX | | | | PRESERV. | | SAMPLING | | |
| | | | | | GROUNDWATER | WASTEWATER | SOIL | OIL | SLUDGE | OTHER : | ACID/BASE: | ICE / COOL | OTHER : |
| 119619-1 | | IRR Well | | | X | | | | | | | | |
| | | | | | | | | | | | DATE | TIME | |
| | | | | | | | | | | | 5/7/05 | | |

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

| | | | | | | | |
|--|--|----------------------|--|---|--|--|--|
| Sampler Relinquished: | | Date: | | Received By: | | Phone Result: <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | Time: | | | | Fax Result: <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Relinquished By: <i>[Signature]</i> | | Date: 3/7/05 | | Received By: (Lab Staff) <i>[Signature]</i> | | REMARKS: | |
| Delivered By: (Circle One) | | Time: 3:53 PM | | Sample Condition | | | |
| <input checked="" type="checkbox"/> UPS - <input type="checkbox"/> Bus - <input type="checkbox"/> Other: | | Temp. °C | | Intact? | | | |
| | | cool | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | Checked By: (Initials) | |

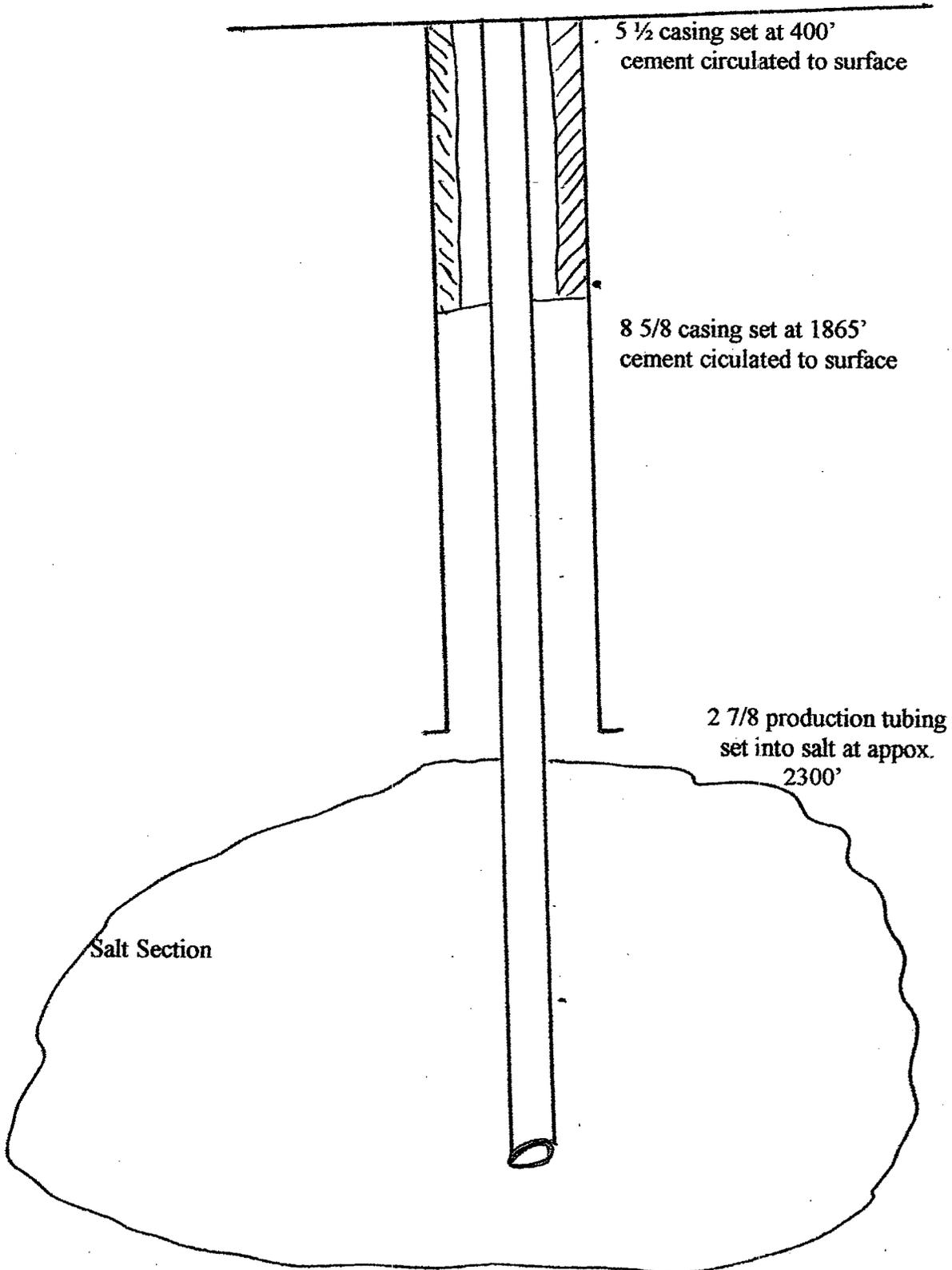
† Cardinal cannot accept verbal changes. Please fax written changes to (325) 673-7020.

RECEIVED

OCT 24 2005

OIL CONSERVATION
DIVISION

Proposed completion for
HRC Brine Well
Schubert 7 #1



Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

7. Description of Underground Facility:

The only underground facilities will be brine well and its piping construction. Enclosed is schematic of proposed completion and a schematic of existing status.

The proposed construction will be:

5 ½ casing set at approximately 400' with cement circulated to surface

8 5/8" production casing set at approximately 1600' with cement circulated to surface.

2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8" tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-025-36781 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name Schubert 7 |
| 8. Well Number 1 |
| 9. OGRID Number 131652 |
| 10. Pool name or Wildcat BSW-Salado |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other(Brine Supply)

2. Name of Operator
HRC, Inc.

3. Address of Operator
P.O. Box 5102 Hobbs, NM 88241

4. Well Location
 Unit Letter J : 2313 feet from the South line and 2313 feet from the East line
 Section 7 Township 19 Range 39 NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3585 GL

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|---|---|--|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input checked="" type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input checked="" type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER: <input type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

- Rig up completion unit.
- Run in hole with 5 1/2" casing to 400' with D.V. tool on end
- Pump cement through 5 1/2" casing and back outside with D.V. tool to fill annulus between 5 1/2" casing and 8 5/8" casing with cement; circulate cement to surface
- Drill out cement and center of D.V. tool
- Run in hole with 2 7/8" tubing to 2300'
- Install wellhead and circulate fresh water down casing to circulate brine water through tubing.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

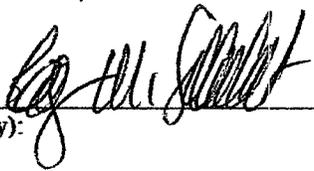
SIGNATURE [Signature] TITLE President DATE 3/8/05

Type or print name
For State Use Only

E-mail address:

Telephone No.

APPROVED BY:

A handwritten signature in black ink, appearing to be 'E. J. Smith', written over the 'APPROVED BY:' label.

TITLE

DATE

Conditions of Approval (if any):

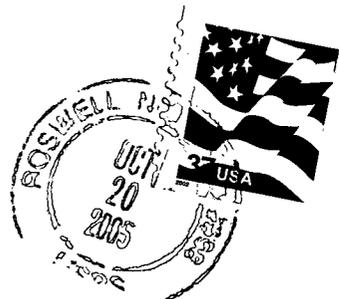
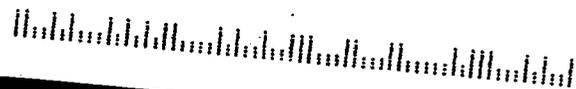
HRC INC.
P O Box 5102
Hobbs, NM 88241

OCD
1220 S. St. Francis Dr.
Santa Fe, Nm

87504

Attn:
Wayne
Price

87503+4000-20 COLL



Gary M. Schubert
(505) 393-1662



To: Wayne Price Fax: 505-476-3462
 From: Gary Date: 1/10/06
 Rec: _____ Pages: 8
 CC: _____

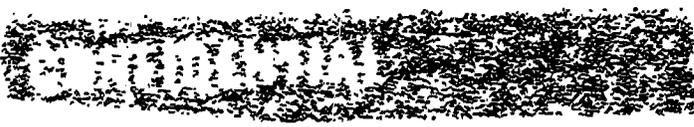
Urgent For Review Please Comment Please Reply Please Recycle

If you have any problems with this transmission please contact Lorna Dudenhofer at



Wayne,
 here are the other forms you
 requested. - If needed anything else
 Please call. -

Thanks -
 Lorna



Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-025-36781 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name Schubert 7 |
| 8. Well Number 1 |
| 9. OGRID Number 131652 |
| 10. Pool name or Wildcat BSW-Salado |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other(Brine Supply)

2. Name of Operator
HRC, Inc.

3. Address of Operator
P.O. Box 5102 Hobbs, NM 88241

4. Well Location
 Unit Letter J : 2313 feet from the South line and 2313 feet from the East line
 Section 7 Township 19 Range 39 NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3585 GL

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mill Below-Grade Tank Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPL

OTHER:

SUBSEQUENT REPORT OF:

REMEDIATION WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/CEMENT JOB

OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1. Rig up completion unit.
2. Run in hole with 5 1/2" casing to 400' with D.V. tool on end
3. Pump cement through 5 1/2" casing and back outside with D.V. tool to fill annulus between 5 1/2" casing and 8 5/8" casing with cement; circulate cement to surface
4. Drill out cement and center of D.V. tool
5. Run in hole with 2 7/8" tubing to 2300'
6. Install wellhead and circulate fresh water down casing to circulate brine water through tubing.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE [Signature] TITLE President DATE 3/8/05

Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

7. Description of Underground Facility:

The only underground facilities will be brine well and its piping construction. Enclosed is schematic of proposed completion and a schematic of existing status.

The proposed construction will be:

5 ½ casing set at approximately 400' with cement circulated to surface

8 5/8" production casing set at approximately 1600' with cement circulated to surface.

2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8" tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

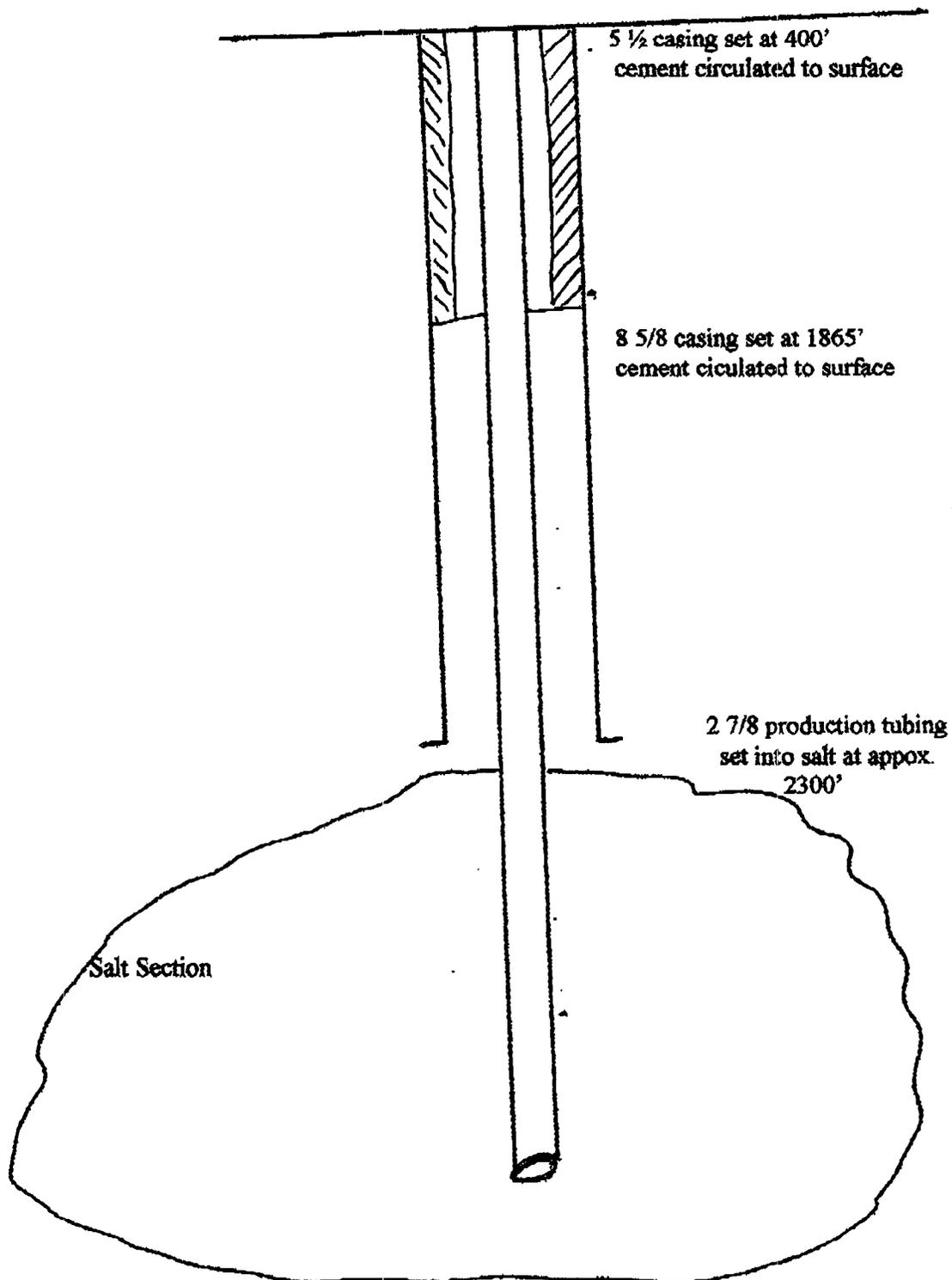
The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:

Proposed completion for
HRC Brine Well
Schubert 7 #1



Type or print name
For State Use Only

E-mail address:

Telephone No.



APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

Form O & G CBA
Revised 1-1-03

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department
Oil Conservation Division

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H.R.C., INC. ("OPERATOR") of P.O. BOX 5011
HOBBBS N.M. 88241 (address) has deposited with
FIRST NATIONAL BANK (name of federally insured state or national
bank or savings association in the State of New Mexico) of 600 WEST BERDEK
HOBBBS N.M. (address) (FINANCIAL INSTITUTION) the sum of
\$7,500.00 dollars (\$) in Certificate of Deposit or Savings Account No. 280219833 (FUND).

To comply with NRCISA 1978, Section 79-2-14, as amended, OPERATOR hereby assigns all right, title and interest in the FUND, except as herein otherwise provided, to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION).

OPERATOR and FINANCIAL INSTITUTION agree that as to the FUND:

a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with the right to order the FINANCIAL INSTITUTION in writing to distribute the FUND to persons determined by the DIVISION to be entitled thereto, including the DIVISION itself, in amounts determined by the DIVISION, without further consent by the OPERATOR. FINANCIAL INSTITUTION hereby acknowledges that the DIVISION is FINANCIAL INSTITUTION'S customer with respect to the FUND.

b. OPERATOR retains no legal or beneficial interest in the FUND except the right to interest, if any, thereon, and to return of the FUND upon written order of the DIVISION following final disposition, or plugging and abandonment in accordance with all rules and orders of the DIVISION, of all wells in the State of New Mexico for which this Assignment now or hereafter serves as financial assurance.

c. FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, pledged or distributed (except upon written order of the DIVISION or of a court order entered in a proceeding to which the DIVISION is a party. FINANCIAL INSTITUTION hereby waives all statutory or common law liens or rights of set-off or recoupment against the FUND by reason of any indebtedness or obligation of OPERATOR to FINANCIAL INSTITUTION now existing or hereafter incurred.

d. OPERATOR agrees that FINANCIAL INSTITUTION may deduct, solely from interest due OPERATOR, any costs or attorney fees incurred by FINANCIAL INSTITUTION by reason of any claim or demand via writ, summons or other process made upon FINANCIAL INSTITUTION arising from OPERATOR'S business. FINANCIAL INSTITUTION agrees that no such costs or fees shall be deducted from the principal of the FUND prior to final release thereof to OPERATOR by the DIVISION.

This agreement shall be governed by the laws of the State of New Mexico.

H.R.C. INC.

Operator

By: [Signature]
Signature of individual OPERATOR
or Authorized Officer

Title: PRESIDENT

FIRST NATIONAL BANK

Financial Institution

By: [Signature]
Signature of Authorized Officer
of FINANCIAL INSTITUTION

Title: PRESIDENT

NOTE: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of a certified resolution of the Board of Directors evidencing such officer's authority.

INDIVIDUAL ACKNOWLEDGMENT:

State of New Mexico
County of _____

This instrument was acknowledged before me on _____ 20__ by

(Individual Operator) _____
Notary Public

SEAL

My Commission Expires: _____

ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:

State of New Mexico
County of Lea:

This instrument was acknowledged before me on Dec. 21st, 2004 by Gary Schubert
(Name of Person Signing)
as President of H.R.C., Inc.
(Capacity, e.g. Partner, President, etc.) (Name of Operator)
Corporation
(Partnership, Corporation or Limited Liability Company)



OFFICIAL SEAL

Gary Schubert
NOTARY PUBLIC-STATE OF NEW MEXICO

Charles
Notary Public

My commission expires: 8-9-08

SEAL

My Commission Expires: 8-9-2008

FINANCIAL INSTITUTION ACKNOWLEDGMENT:

State of New Mexico
County of Lea:

This instrument was acknowledged before me on Dec. 21st, 2004 by Zane S. Braham
(Name of Officer)
as President of First National Bank
(Title) (Name of Financial Institution)



OFFICIAL SEAL

Gary Schubert
NOTARY PUBLIC-STATE OF NEW MEXICO

Charles
Notary Public

My commission expires: 8-9-08

SEAL

My Commission Expires: 8-9-2008



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 6, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Mr. Gary Shubert
H.R.C., Inc.
P.O. Box 5011
Hobbs, NM 88241

RE: \$7,500 Single-Well Cash Bond
H.R.C., Inc., Principal
First National Bank - Hobbs - Depository - Account No. 280219833
Schubert 7 No. 1 - 2313' FSL and 2313' FEL
Section 7, Township 19 South, Range 39 East,
Lea County, New Mexico
Bond No. OCD 785

Dear Mr. Shubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

A handwritten signature in cursive script that reads "David K. Brooks".

DAVID K. BROOKS
Assistant General Counsel

DKB/dp

cc: Oil Conservation Division - Hobbs, NM

First National Bank
600 W. Bender
Hobbs, NM 88241-0460

Price, Wayne

From: Price, Wayne
Sent: Wednesday, June 01, 2005 2:58 PM
To: 'garymschubert@aol.com'
Cc: Williams, Chris; Wink, Gary; Sheeley, Paul; Johnson, Larry; Anderson, Roger; Sanchez, Daniel
Subject: H.R.C. Inc. New brine well application
Contacts: Gary Schubert

Dear Mr. Schubert:

OCD is in receipt of H.R.C. Inc application for a new brine well to be located in UL J Section 7 Ts 19s R 39e. Your plan proposes to re-enter the Sahara well#1 API# 30-025-36781. The proposed completion does not meet OCD's minimum requirement for groundwater protection for EPA type Class III wells. OCD will require at least two strings of casing through the fresh water zone. The first string (outside) shall be embedded and terminate in the "Red Beds" and the second string shall be placed a minimum of 100 feet into the salt section. Both casing strings shall be cemented back to surface.

In order for OCD to continue the evaluation of the application please re-submit an amended plan to incorporate the above changes and include a \$100.00 filing fee made out to the New Mexico Water Quality Management Fund.

Sincerely:

Wayne Price
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505
505-476-3487
fax: 505-476-3462
E-mail: WPRICE@state.nm.us

**NOTICE OF
PUBLICATION**

**STATE OF
NEW MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION**

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) - H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs, New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to re-enter the Sahara well #1 API#30-025-36781 (Now Schubert7#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to

be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site

<http://www.emnrd.state.nm.us/ocd/>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

**STATE OF
NEW MEXICO
OIL CONSERVATION
DIVISION**

S E A L

Mark Fesmire,
Director

Legal #78265
Pub. January 16, 2006

Advertising Receipt

RECEIVED
JAN 23 2006
 Hobbs Daily News-Sun
 201 N Thorp
 P O Box 850
 Hobbs, NM 88241-0850
 Phone: (505) 393-2123
 Fax: (505) 397-0610
 Oil Conservation Division
 1220 S. St. Francis
 Santa Fe, NM 87505

Oil Conservation Division
 1220 S. St. Francis
 Santa Fe, NM 87505

ED MARTIN
 STATE OF NEW MEXICO OIL &
 CONSERVATION DIVISION *
 1220 S. ST. FRANCIS
 SANTA FE, NM 87505

Cust#: 01100060-000
Ad#: 67535545
Phone: (505)476-3492
Date: 01/12/06

Ad taker: C2 Salesperson: 08 Classification: 673

| Description | Start | Stop | Ins. | Cost/Day | Surcharges | Total |
|---|----------|----------|------|----------|------------|------------------------|
| 07 07 Daily News-Sun | 01/13/06 | 01/13/06 | 1 | 92.40 | | 92.40 |
| Bold | | | | | | 1.00 |
| Affidavit for legals | | | | | | 3.00 |
| Payment Reference: | | | | | | Total: 96.40 |
| LEGAL NOTICE | | | | | | Tax: 0.00 |
| January 13, 2006 | | | | | | Net: 96.40 |
| NOTICE OF PUBLICATION | | | | | | Prepaid: 0.00 |
| STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION | | | | | | Total Due 96.40 |

Notice is hereby given that pursuant to New Mexico Water Quality Control commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) - H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine

*OK for APPROVAL
1/25/06*

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, Daniel Russell

Editor

of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period

of _____

1 issue(s).

Beginning with the issue dated

January 13, 2006

and ending with the issue dated

January 13, 2006

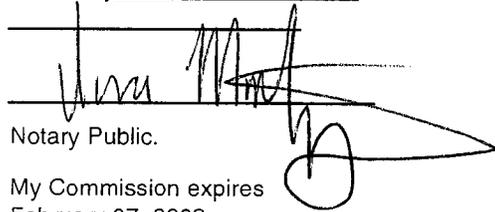


Editor

Sworn and subscribed to before

17th day of

January, 2006



Notary Public.

My Commission expires
February 07, 2009
(Seal)



OFFICIAL SEAL
DORA MONTZ
NOTARY PUBLIC
STATE OF NEW MEXICO

My Commission Expires: _____

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

0110060000 67535545
STATE OF NEW MEXICO OIL &
CONSERVATION DIVISION
1220 S. ST. FRANCIS
SANTA FE, NM 87505

LEGAL NOTICE
January 13, 2006

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) - H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to re-enter the Sahara well #1 API#30-025-36781 (Now Schubert#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m. Monday through Friday. The draft discharge permit may also be viewed at OCD's web site <http://www.emnrd.state.nm.us/ocd/>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

STATE OF NEW MEXICO
OIL CONSERVATION

Mark Fesmire, Director
#22069

NOTICE OF PUBLICATION

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) – H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs, New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to re-enter the Sahara well #1 API#30-025-36781 (Now Schubert7#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site <http://www.emnrd.state.nm.us/ocd/>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director

THE SANTA FE
NEW MEXICAN
Founded 1849

RECEIVED
JAN 20 2006
MINING & MINERALS DIVISION

EMNRD MINING & MINERALS

ATTN: *Wayne Price*
1220 S St. Francis Dr
SANTA FE NM 87505

ALTERNATE ACCOUNT: 56660
AD NUMBER: 00152886 ACCOUNT: 00002190
LEGAL NO: 78265 P.O. #: 06-199-050125
252 LINES 1 TIME(S) 141.12
AFFIDAVIT: 5.50
TAX: 11.18
TOTAL: 157.80

AFFIDAVIT OF PUBLICATION

STATE OF NEW MEXICO
COUNTY OF SANTA FE

I, R. Lara, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the publication # 78265 a copy of which is hereto attached was published in said newspaper 1 day(s) between 01/16/2006 and 01/16/2006 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 16th day of January, 2006 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

/s/ *R. Lara*
LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 16th day of January, 2006

Notary *Laura E. Harding*

Commission Expires: *11/23/07*

