

UNITED STATES N.M. Oil Cons. Division
DEPARTMENT OF THE INTERIOR 1625 N. French Dr.
BUREAU OF LAND MANAGEMENT Hobbs, NM 88240

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

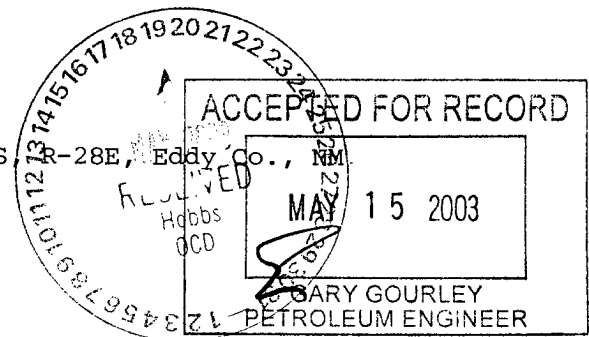
1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-9022
2. Name of Operator TMBR/Sharp Drilling, Inc.		6. If Indian, Allottee or Tribe Name
3a. Address P. O. Drawer 10970, Midland TX 79702	3b. Phone No. (include area code) 432-699-5050	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL & 990' FWL, Sec. 21, T-18S, R-32E		8. Well Name and No. TMBR Sharp "21" Fed Com No. 1
		9. API Well No. 30-025-35251
		10. Field and Pool, or Exploratory Area Lusk, Morrow, N. (Gas)
		11. County or Parish, State Lea Co, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

- 1) Water production is from the Morrow formation.
- 2) Average water production .5 BPD.
- 3) See attached.
- 4) Water is stored in a 300 BBL fiberglass tank.
- 5) Water is trucked to the disposal facility.
- 6) Disposal facility is identified as follows:
 - A) I&W Inc.
 - B) Walter Solt
 - C) SWD #1
 - D) NW/4, SW/4, Sec. 5, T-18S, R-28E, Eddy Co., NM
- 7) See attached.



14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Lonnie Arnold	Title Production Manager
Signature <i>[Signature]</i>	Date 4/30/03

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

GWV



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Hobbs Field Station
414 W. Taylor St.
Hobbs, New Mexico 88240



ATTACHMENT:

The following information is needed before your disposal of produced water can be approved, Onshore Oil & Gas Order # 7

1. Name(s) of all formation(s) producing water on the lease.
2. Amount of water produced from all formations in barrels per day.
3. A CURRENT water analysis of produced water from all zones showing at least the total dissolved solids, ph, and the concentrations of chlorides and sulfates.
4. How water is stored on lease.
5. How water is moved to the disposal facility.
6. Identify the disposal facility by:
 - A. Operators name.
 - B. Well name.
 - C. Well type and well number. (SWD) (WIW)
 - D. Location by 1/4 1/4, section township, & range.
7. A copy of the Underground Injection Control Permit issued for The injection well by the Enviromental Protection Agency or The New Mexico Oil Conservation Division where the State has Achieved primacy.

Submit all the above required information, to this office, on a sundry notice form 3160-5 in triplicate within the required time frame.

Please contact S. Caffey (505) 393-3612 with any questions.

NEW MEXICO STATE LAND OFFICE

SALT WATER DISPOSAL EASEMENT

SALT WATER DISPOSAL

EASEMENT NO. **SWD-130**

THIS AGREEMENT, dated this 13th day of March, 2001, made and entered into between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, hereinafter called the grantor, and I & W, Inc., of P. O. Box 98, Loco Hills, New Mexico 88255 hereinafter called the grantee,

WITNESSETH:

That, whereas, the said grantee has filed in the Land Office an application for salt water disposal easement and has tendered the sum of \$500.00, together with the sum of \$30.00 application fee;

NOW, THEREFORE, in consideration of the foregoing tender, receipt of which is acknowledged, and the covenants herein, grantor does grant to the grantee a salt water disposal easement for the sole and only purpose of underground disposal of salt water produced in connection with oil and gas operations, together with the right to make such reasonable use of the land as may be necessary to dispose of said salt water. Said easement shall cover the following described lands:

INSTITUTION	SECTION	TOWNSHIP	RANGE	SUBDIVISION	ACRES
C.S.	05	18S	28E	Portion Within NW $\frac{1}{4}$ SW $\frac{1}{4}$	2.00

TO HAVE AND TO HOLD said lands and privileges hereunder for a term of FIVE years from the date first above written, subject to all terms and conditions hereinafter set forth:

1. Grantee shall pay the grantor the sum of \$500.00 annually, in advance.
2. With the consent of the grantor and payment of a fee of \$30.00, the grantee may surrender or relinquish this salt water disposal easement to the grantor; provided, however, that this surrender clause shall become absolutely inoperative immediately and concurrently with the filing of any suit in any court or law or equity by the grantor or grantee or any assignee to enforce any of the terms of this salt water disposal easement.
3. The grantee, with the prior written consent of the grantor, may assign his salt water disposal easement in whole only. Upon approval of the assignment, in writing, by the grantor, the grantee shall stand relieved from all obligations to the grantor with respect to the lands embraced in the assignment, and the grantor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the grantor as to such tracts.
4. The grantor may cancel this salt water disposal easement for non-payment of annual consideration or for violation of any of the terms and covenants hereof; provided, however, that before any such cancellation shall be made, the grantor must mail to the grantee or assignee, by registered mail, addressed to the post office address of such grantee or assignee, shown by the records, a thirty-day notice of intention to cancel said salt water disposal easement, specifying the default for which the salt water disposal easement is subject to cancellation. No proof of receipt of notice shall be necessary and thirty days after such mailing, the grantor may enter cancellation unless the grantee shall have sooner remedied the default.

5. The grantee shall furnish copies of records and such reports and plats of his operations, including any and all data relating to geological formations as the grantor may reasonably deem necessary to his administration of the lands.

6. Grantee may make or place such improvements and equipment upon the land as may reasonably be necessary to dispose of salt water, and upon termination of this salt water disposal easement for any reason, grantee may remove such improvements and equipment as can be removed without material injury to the premises; provided, however, that all sums due the grantor have been paid and that such removal is accomplished within one year of the termination date or before such earlier date as the grantor may set upon thirty days written notice to the grantee. All improvements and equipment remaining upon the premises after the removal date, as set in accordance with this paragraph, shall be forfeited to the grantor without compensation. All pipelines constructed hereunder shall be buried below plow depth.

7. This salt water disposal easement is made subject to all the provisions and requirements applicable thereto which are to be found in various acts of the legislature of New Mexico and the rules of the Commissioner of Public Lands of the State of New Mexico, the same as though they were fully set forth herein, and said laws and rules, so far as applicable to this salt water disposal easement, are to be taken as a part hereof.

8. All the obligations, covenants, agreements, rights and privileges of this salt water disposal easement shall extend to and be binding and inure to the benefit of the lawful and recognized assigns or successors in interest of the parties hereto.

9. Grantee shall post with grantor a bond or undertaking in an amount required by grantor in favor of the owner of improvements lawfully located upon the lands herein to secure payment of damage, if any, done to such improvements by reason of grantee's operations.

10. Payment of all sums due hereunder shall be made at the office of the Commissioner of Public Lands, 310 Old Santa Fe Trail, P. O. Box 1148, Santa Fe, New Mexico 87504-1148.

11. Grantee, including his heirs, assigns, agents, and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances, and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire, and ecology. Such agencies are not to be deemed third party beneficiaries hereunder; however, this clause is enforceable by the grantor as herein provided or as otherwise permitted by law.

12. Grantee shall save and hold harmless, indemnify and defend the State of New Mexico, the Commissioner of Public Lands, and his agent or agents, in their official and individual capacities, of and from any and all liability claims, losses, or damages arising out of or alleged to arise out of or indirectly connected with the operations of grantee hereunder, off or on the herein above described lands, or the presence on said lands of any agent, contractor or sub-contractor of grantee.

AFFIRMATION OF GEOLOGIC, ENGINEERING & HYDROLOGIC INVESTIGATION: I hereby affirm that the available geologic and engineering data have been examined and no evidence has been found of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

IN WITNESS WHEREOF, the State of New Mexico has hereunto signed and caused its name to be signed by its Commissioner of Public Lands, thereunto duly authorized with the seal of his office affixed, and the grantee has signed this agreement to be effective the day and year above written.

STATE OF NEW MEXICO

BY:

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

Director

GRANTEE

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by _____

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, as attorney-in-fact on behalf of _____

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF New Mexico)
) ss.
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 23rd day

of February, 2001, by Bryan E. Loh (NAME) Manager (TITLE)

of Signal Line (CORPORATION)

My Commission Expires: October 22, 2001 Notary Public: Lisa J. Bine



MAY - 2 - 03 FRI 16:02 Laboratory Services

P. 02

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M
S

Laboratory Services, Inc.

4018 Fleeta Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713

Water Analysis

COMPANY TMBR/Sharp Drilling Inc.

SAMPLE TMBR Fed. "21" #1

SAMPLED BY Petroplex

DATE TAKEN 5/2/03

REMARKS

Barium as Ba	0
Carbonate alkalinity PPM	0
Bicarbonate alkalinity PPM	364
pH at Lab	5.12
Specific Gravity @ 60°F	1.015
Magnesium as Mg	3,596
Total Hardness as CaCO ₃	6,200
Chlorides as Cl	12,355
Sulfate as SO ₄	0
Iron as Fe	470
Potassium	29
Hydrogen Sulfide	0
Rw	0.54
Total Dissolved Solids	20,000
Calcium as Ca	2,604
Nitrate	22

@ 21° C

Results reported as Parts per Million unless stated

Langelier Saturation Index -1.03

Analysis by: Vickie Biggs

Date: 5/2/03