VII. Proposed Operation

Storage tanks will be located on the well site along with a powered salt water disposal pump. A salt water gathering system will transport from our tank battery, located at our 8903 Lovington #1 well, 1900 feet southwest. At the present time, only the Lovington #2 well is producing water at a rate of 95 barrels per day. If the wells' disposal capacity is such to handle additional water, other operator's wells in the area may be trucked in to the storage tanks. The system will be open.

The average injection rate is estimated at 500 BWPD.

The proposed maximum injection rate is 1000 BWPD.

The proposed average injection pressure is 1000 psi.

The proposed maximum injection pressure is 1250 psi.

The sources of injected water will be from the Strawn.

VIII.

Geological Name:	Yates Sand
Lithological Detail:	Sandstone, red, fine - medium grained, fair to good porosity, interbedded with anhydrite, medium-well sorted.
Thickness:	700'
Depth:	3294 - 4000'
Geological Data of Drinking Water Zone:	The underground source of drinking water overlying the zone of disposal is the Ogalla, which occurs from 50 to 250 feet and is approximately 200' thick.

IX. Proposed Stimulation Program

Perforate Zone 3300-4000'
Acidize Zone w/3500 gal 15% HCl

X. Logs were previously filed by original operator:

Harvey Yates Co.

XI. Analysis of fresh water well attached:

Exhibit -B- Column No. 1
(only water well within one mile)

XII. After examining all available geological and engineering data, we find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

XIII. A copy of our application has been furnished by certified mail to the surface owner and to each leasehold operator within one-half mile of our proposed injection well. See listing on Exhibit -C-.