

primary term expiration date of June 6, 2001. *Copies of the amendments are attached hereto as Exhibit "C".*

B. THE POOLED UNIT

4. On November 17, 2000, TMBR/Sharp as operator under the Operating Agreement, filed an application for permit to drill (Form C-101) with the Oil Conservation Division of the State of New Mexico ("OCD"). *A certified copy of Form C-101 is attached as Exhibit "E."*

5. On the same date TMBR/Sharp filed a Well location and acreage dedication plat (Form C-102) describing the pooled unit dedicated to the proposed well, the Blue Fin "24" No. 1 Well (the "Well") (Form C-102) with the OCD and outlined thereon the 320 pooled acres in Township 16 South, Range 35 East, NMPM, Section 24: W/2, Lea County, New Mexico. *A certified copy of Form C-102 is attached as Exhibit "F."*

6. The pooled 320 acres dedicated to the unit included 40 acres out of the Leases, including the NW/4 SW/4 of Section 24.

7. The OCD approved TMBR/Sharp's permit to drill on November 22, 2000. *See Exhibit "D".*

8. TMBR/Sharp spudded the Well on March 29, 2001, ran a drill stem test on May 15, 2001, and placed casing in the hole on June 3, 2001. *See Exhibit "D".*

9. On June 29, 2001, production in paying quantities was obtained from the Well and on August 6, 2001, first production was sold. *See Exhibit "D".*