

TMBR/Sharp became the successor in interest to Ameristate Oil & Gas, Inc. ("Ameristate") with respect to two oil and gas leases in September of 1999. The first lease was effective December 7, 1997, between Madeline Stokes and Ameristate and is recorded in Book 827, page 128 of the Deed Records of Lea County, New Mexico, as amended by an instrument dated August 10, 2000. The second lease was also effective December 7, 1997, between Erma Stokes Hamilton and Ameristate. That second lease is recorded in Book 827, page 124 of the Deed Records of Lea County, New Mexico, and amended by instrument dated August 14, 2000. These leases are collectively referred to hereafter as the Original Stokes Leases.

TMBR/Sharp is the operator of the Original Stokes Leases. In that capacity and as lessee, TMBR/Sharp filed an application for a permit to drill (Form C-101) with the Oil Conservation Division ("OCD") of the State of New Mexico. On that same date, TMBR/Sharp filed a well location and acreage dedication plat describing a pooled unit dedicated to the proposed well, the Blue Fin "24" No. 1 Well (the "Well") with the OCD. The plat outlined 320 acres pooled in T-16-S, R-35-E, N.M.P.M., Section 24: W/2, Lea County, New Mexico. Form C-102 included the acreage covered by the Original Stokes Leases within the pooling unit.

The Well was a wildcat well as defined in New Mexico Oil Conservation Division Rule 104.8. The well was contemplated to be drilled, and was in fact drilled to the Mississippian Formation. The Mississippian Formation is older than the Wolfcamp Formation. Therefore, the Well required a 320 acre spacing unit pursuant to New Mexico Oil Conservation Division Rule 104.B(1)(a) consisting of the W/2 Section 4, Township 16 South, Range 25 East, N.M.P.M., Lea County, New Mexico.

The OCD approved TMBR/Sharp's permit to drill on November 22, 2000. On March 29, 2001, the Well was spudded and a drill stem test was run on May 15, 2001. On June 3, 2001, casing was placed in the hole.

On June 29, 2001, production in paying quantities was obtained from the Well. On August 6, 2001, first production from the Well was sold. The Well produces approximately 15 barrels of oil and 500 mcf of gas per day. The Well cost in excess of \$100,000.00 to drill.

Since the inception of drilling, there has been no cessation of operations on the lease for a 180 consecutive days.