VI. TABULATION OF DATA ON WELLS WITHIN AREA OF REVIEW (continued)

To date, the following wells within a half mile radius of the proposed salt water disposal well injection wells have been plugged and abandoned :

T-23-S, R-32-E

Section 31 : well(s) : Curtis Hankamer; Continental Fed #1

T-24-S, R-32-E

Section 6 : well(s) : Curtis Hankamer; Bondurant-Federal #1

VII. PROPOSED OPERATION

The proposed completion within the SDE '31' Federal wellbore will be in the Bell Canyon interval with selective perforations between 4600' and 5500'. The packer will be placed within approximately 50' of the top perforation. The tubing will be internally plastic coated. The proposed maximum salt water disposal rate is expected to be 3,000 BWPD. The initial disposal rate is expected to be 500 BWPD. Maximum injection pressure will not exceed 920 psig (0.2 psi/ft OCD allowable rate) until a step rate test establishes a higher limit. Injected fluids will be produced fluids from the Brushy Canyon and Bone Spring intervals. These zones and the proposed injection interval (Bell Canyon) all contain saline waters with total dissolved solids (TDS) and salinity above 10,000 ppm (mg/l). No current recent chemical analysis of the disposal zone is available within the adjacent area, but produced test samples all had TDS and salinity above 10,000 ppm. The system will be closed.

VIII. GEOLOGICAL DATA

The injection interval consists of an interbedded, fine to medium grain sorted sandstone reservoir. The saturation within the reservoir show a low oil saturation which is non-mobile making the formation non-commercial. The Bell Canyon interval has a total thickness of approximately 1400' within the subject area. It overlays the Cherry Canyon (non-productive) and the Brushy Canyon and Bone Spring intervals which are the productive interval within the subject area.

The known sources of fresh water within the subject area exist from approximately 30' to 800' deep. Based on a current geological and