PTGW

DATE IN 6.4.12	SUSPENSE	ENGINEER WJS	LOGGED IN 6.4.12	TYPE SWD	APP NO. 1215643039

ABOVE THIS LINE FOR DIVISION USE ONLY

Nacogdoches Oil & G. 256659

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

S. Hospah SWD 33 30-031-20124

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

F-12-17N-9W

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

SOUTH HOSPAH SWD 33
30-031-20124

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

3800' - 3900'
760/sc

[C] ☒ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

CHO's ACOI

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

BRIAN WOOD		CONSULTANT	10-31-11
Print or Type Name	Signature	Title	Date

brian@permitswest.com
e-mail Address

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division

February 17, 2012

Nacogdoches Oil and Gas, Inc.
Attn: Taylor Mathews
816 North Street
Nacogdoches, Texas 75961

Email: taylor.mathews@nogtx.com

Re: Operator: Nacogdoches Oil and Gas, Inc. — OGRID #256689
Agreed Compliance Order 252

Dear Operator:

Enclosed is your copy of executed Agreed Compliance Order 252 (ACO 252).

ACO 252 allows Nacogdoches Oil and Gas, Inc. (NOG) to obtain an injection permit for the South Hospah Unit #033 (30-031-20124) without being barred by 19.15.5.9 NMAC, and in exchange, NOG has agreed to bring the South Hospah Unit #033 into compliance with 19.15.25.8 NMAC (the inactive well rule) by August 16, 2012 if it is the operator of record of the well on that date.

NOG should attach a copy of this letter to its injection permit application so that the engineering bureau of the Oil Conservation Division knows that NOG has Division approval to proceed and obtain an injection permit for the South Hospah Unit #033.

Please feel free to call me if you have any questions.

Sincerely,

Sonny Swazo
Assistant General Counsel, OCD

CC: Daniel Sanchez, OCD Enforcement and Compliance Manager
William Jones, OCD Engineering Bureau
David Burns, Dominion Production Company, LLC, burnsdavid@verizon.net

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

FORM C-108
Revised June 10, 2003

APPLICATION FOR AUTHORIZATION TO INJECT

I. PURPOSE: _____ Secondary Recovery _____ Pressure Maintenance XXX Disposal _____ Storage
Application qualifies for administrative approval? _____ Yes _____ No

II. OPERATOR: NACOGDOCHES OIL AND GAS, INC.

ADDRESS: P. O. BOX 632418, NACOGDOCHES, TX 75963

CONTACT PARTY: BRIAN WOOD (PERMITS WEST, INC.) PHONE: 505 466-8120

III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? _____ Yes XXX No
If yes, give the Division order number authorizing the project: _____

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

SOUTH HOSPAH SWD 33
30-031-20124

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).

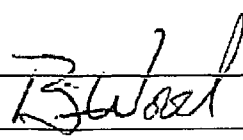
*XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: BRIAN WOOD TITLE: CONSULTANT

SIGNATURE:  DATE: OCTOBER 31, 2011

E-MAIL ADDRESS: brian@permitswest.com

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

Side 2

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

(1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.

(2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.

(3) A description of the tubing to be used including its size, lining material, and setting depth.

(4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

(1) The name of the injection formation and, if applicable, the field or pool name.

(2) The injection interval and whether it is perforated or open-hole.

(3) State if the well was drilled for injection or, if not, the original purpose of the well.

(4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.

(5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

(1) The name, address, phone number, and contact party for the applicant;

(2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;

(3) The formation name and depth with expected maximum injection rates and pressures; and,

(4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Side 1

INJECTION WELL DATA SHEET

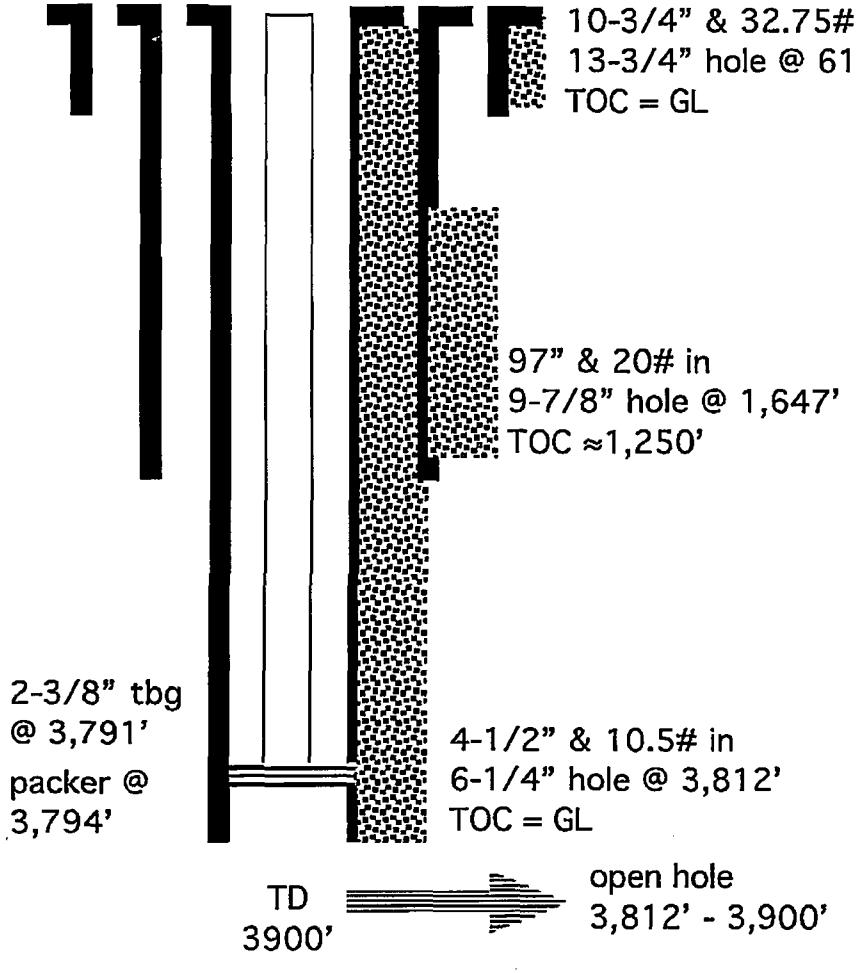
OPERATOR: NACOGDOCHES OIL AND GAS, INC.

WELL NAME & NUMBER: SOUTH HOSPAH SWD 33

WELL LOCATION:	1340' FNL & 1710' FWL	F	12	17 N	9 W
	FOOTAGE LOCATION	UNIT LETTER	SECTION	TOWNSHIP	RANGE

WELLBORE SCHEMATIC

(not to scale)



WELL CONSTRUCTION DATA

Surface Casing

Hole Size: 13-3/4" Casing Size: 10-3/4"

Cemented with: 70 sx. *or* _____ ft³

Top of Cement: SURFACE Method Determined: VISUAL

Intermediate Casing

Hole Size: 9-7/8" Casing Size: 7"

Cemented with: 125 sx. *or* _____ ft³

Top of Cement: ≈1,250' Method Determined: CALCULATED

Production Casing

Hole Size: 6-1/4" Casing Size: 4-1/2"

Cemented with: 469 sx. *or* _____ ft³

Top of Cement: SURFACE Method Determined: CBL

Total Depth: 3,900' (4-1/2" liner will be set at 3,812')

Injection Interval

3,812 feet to 3,900'

(Perforated or Open Hole; indicate which)

Side 2

INJECTION WELL DATA SHEET

Tubing Size: 2-3/8" J-55 4.7# Lining Material: _____

Type of Packer: BAKER TENSION PACKER

Packer Setting Depth: 3,794' (18' ABOVE TOP OF OPEN HOLE)

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? (DISPOSAL) _____ Yes XXX No

   If no, for what purpose was the well originally drilled? _____

   OIL WELL (HOSPAH SOUTH LOWER SAND)

2. Name of the Injection Formation: SWD; ENTRADA

3. Name of Field or Pool (if applicable): SWD; ENTRADA (POOL CODE 96436)

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. _____

   OPEN HOLE 1,647' - 1,660'; WILL RUN LINER ACROSS INTERVAL & CEMENT TO SURFACE

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: _____

   OVER: UPPER HOSPAH (1,590'), LOWER HOSPAH (1,648'), DAKOTA (2,507')

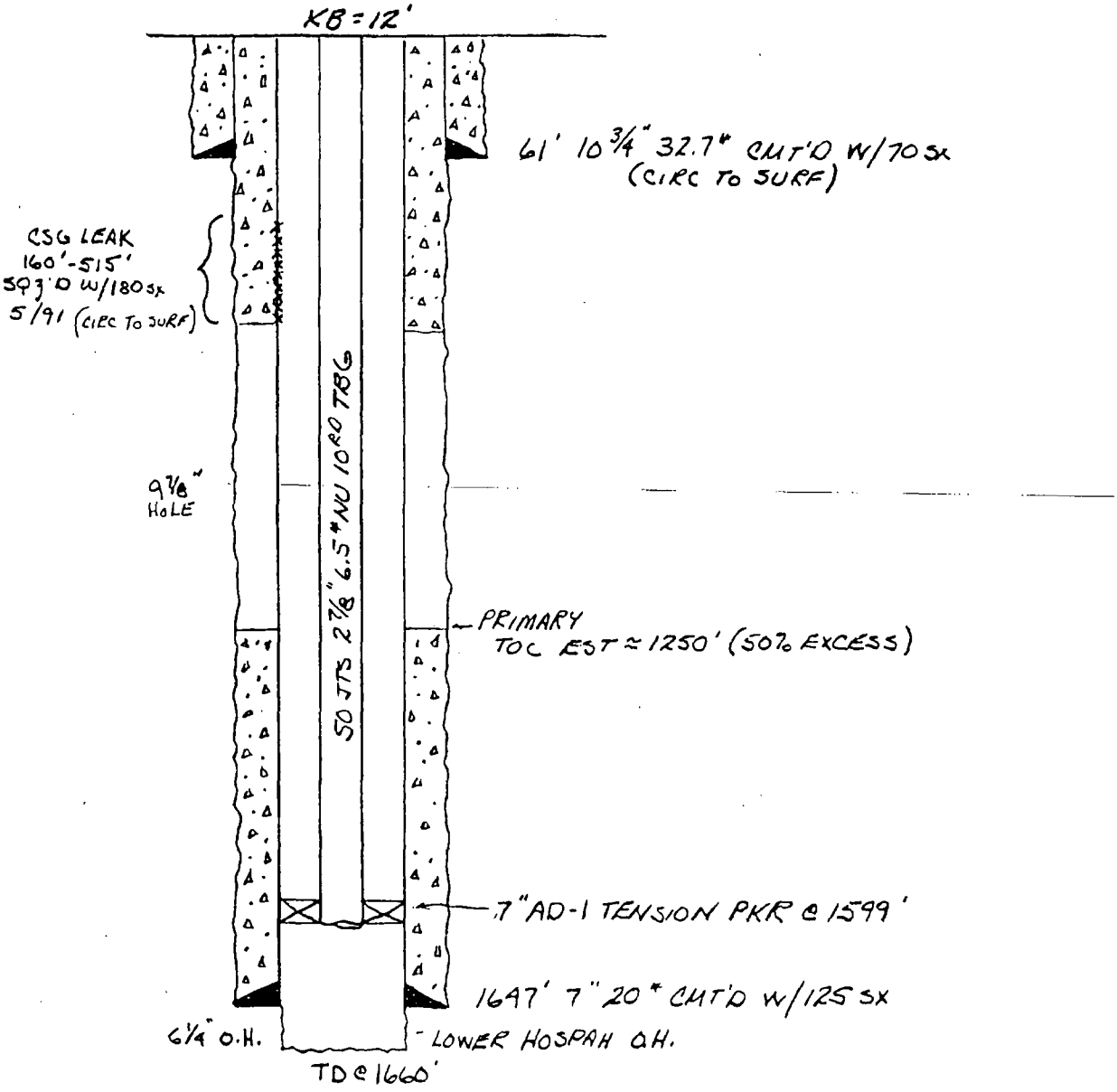
   UNDER: NONE WITHIN DOZENS OF MILES

Citation
OIL & GAS CORP.

General Purpose Worksheet

Subject		Page No.	Of
HOSPAH LOWER #33 WIW			
File SEC 12 T17N, R9W MCKINLEY CO. NM	By KANE	Date 6-5-91	

CURRENT STATUS



I. Purpose is water disposal into the Entrada zone.

II. Operator: Nacogdoches Oil and Gas, Inc.
Operator phone number: (936) 560-4747
Operator address: P. O. Drawer 632418
Nacogdoches, TX 75963
Contact: Brian Wood (Permits West, Inc.)
Phone: (505) 466-8120

III. A. (1) Lease: BLM lease NMNM-012335 (excludes Upper Hospah Sand)
Lease Size: 344.08 acres (see Exhibit A)
Lease Area: NW4, W2NE4, & Lots 1-4; T. 17 N., R. 9 W.
Closest Lease Line: 1,300'
Well Name & Number: South Hospah SWD 33* (API 30-031-20124)
*The well is currently South Hospah Unit 33, a shut-in Hospah Lower Sand, South water injection well. Unit has been terminated.
Location: 1340' FNL and 1710' FWL Sec. 12, T. 17 N., R. 9 W.
(Form C-102, Exhibit B)

A. (2) Surface casing (10-3/4", 32.75#) was set in 1969 at 61' in a 13-3/4" hole. Surface casing was cemented with 70 sacks of an unknown type of cement. Sundry Notice dated 9-12-69 indicates cement circulated to the surface.

Well was drilled to a TD of 1,660'. Production casing (7", 20#) was set at 1,647' in a 9-7/8" hole. Cemented with 125 sacks (type cement unknown) to a calculated top of ≈1,250' based on 50% excess. Well was completed as an open hole in the South Hospah Lower Sand from 1,647' to 1,660'.

Plan to deepen the well and drill a 6-1/4" hole to 3,900' and then run a cement bond log prior to (and after) running the liner. Will run a 4-1/2", 10.5#, J-55 liner and set it at 3,812' (open hole completion). Will set a Type A open hole packer shoe in a hard

limestone cap that is just above the Entrada top (3,812'). Cement with 277 sacks (25% excess) premium light + 1% calcium chloride from 3,812' to 1,647'. Cement with 192 sacks premium light + 1% calcium chloride from 1,647' to surface.

A. (3) Tubing will be 2-3/8", J-55, 4.7#. It will be set at ≈3,791' (within 50', less the packer) which will be 21' above the top of the open hole.

A. (4) A Baker Tension packer will be set at ≈3,794' (which will be 18' above the top of the open hole).

B. (1) Disposal zone will be the Entrada sandstone (pool code 96436).

B. (2) Disposal interval will be 3,812' to 3,900' (open hole).

B. (3) Well was drilled by Tenneco in 1969 to 1,660'. It was completed as an open hole (1647' - 1660') Hospah Lower Sand, South oil well (pool code 33070). Well history is:

<u>September 7, 1969 by Tenneco</u>
spud well and drill to 64'
set 2 joints 10-3/4" 32.75 casing in 13-3/4" hole at 61'
cemented with 70 sacks and circulated to surface

<u>September 10, 1969 by Tenneco</u>
reach TD at 1,660'
set 7" 20# casing in 9-7/8" hole at 1,647'
cement with 125 sacks

<u>September 12, 1969 by Tenneco</u>
ran 51 joints 2-7/8" EUE 6.5# tubing landed at 1,640'
ran 2-1/4" pump on 65 of 3/4" x 25' sucker rods

<u>September 7, 1972 by Tenneco</u>
receive approval (Case 4793, Order R-4389) from OCD for water injection

September 25, 1972 by Tenneco
Pull rods, tubing, & pump
Set AD-1 tension packer at 1,596'
run 50 joints 2-7/8" 6.4# J-55 internally plastic coated tubing

October 4, 1972 by Tenneco
start injection at 140 Mcfd and 720 bwpd at 800 psi

November 1, 1987
Citation Oil & Gas Corp. succeeds Tenneco as operator

May 17 - 31, 1991 by Citation
leak found from 160' to 515'
squeezed with 180 sacks Class B and circulated to surface
set packer at 1,592' and pressure test to 100 psi.

September 6, 1994
BC & D Operating, Inc. succeeds Citation as operator

December 11, 2004 by BC & D
Bradenhead test tubing to 190 psi

December 1, 2005
Mountain States Petroleum Corp. succeeds BC & D as operator

August 31, 2007
Nacogdoches succeeds Mountain Sates as operator

Well will be for Nacogdoches' exclusive use and for the sole purpose of water disposal from present and future Nacogdoches wells.

B. (4) Well bore has not been perforated. It is currently open hole from 1,647' to 1,660'. This interval will be covered with a cemented liner from the surface to 3,812'.

B. (5) Top of the Entrada is at 3,812'. Bottom of the Entrada is at >3,900'. Proposed disposal interval will 3,812' - 3,900'

Bottom of the closest oil or gas zone (Dakota) is at ≈2,739'. There will be a ≈1,073' interval between the bottom of the Dakota and the top of the Entrada. Closest (686' northeast) historic Dakota producer is Nacogdoches' South Hospah 10 (30-031-60017). It has since been plugged back and it is now a Hospah Lower Sand, South oil well. Closest current Dakota producer is Nacogdoches' Whigham 3 (30-031-2-129) which is 2,272' southwest.

There is no underlying producing zone. Oil is being produced elsewhere in the San Juan Basin from the Entrada. However, closest historic Entrada production is in the now plugged and abandoned Snake Eyes Field which is ≈21 miles north (20-21n-8w).

IV. This is not an expansion of an existing injection project. There is a water flood in the Hospah Field. However, all producing wells benefitting from that water flood are Hospah oil wells. This will be purely an Entrada disposal well.

V. A map (Exhibit C) showing the 59 existing wells within the half mile radius area of review is attached. (An 60th well is 11' beyond the 1/2 mile radius and is also included.) Only one of the wells penetrated the Entrada. That well is Nacogdoches' South Hospah 9 (30-031-20013). It is an Entrada SWD and is 2,103' northeast. All of the remaining wells were Mancos, Hospah Dakota, Hospah Upper Sand, South (HUSS), or Hospah Lower Sand, South (HLSS), or Hospah Lower and Upper Sands South (HLUSS). A tabulation of the wells within the half mile radius follows.

OPERATOR	WELL	API 30-031-	T. 17 N., R. 9 W.	ZONE	STATUS	TD	DISTANCE
Nacogdoches	S. Hospah 37X	20135	NWNW Sec. 12	HLSS	OW	1666'	434'
Citation	Hospah 34	20123	SENW Sec. 12	HLSS	P & A	1661'	480'
Nacogdoches	S. Hospah 14	20053	SWNW Sec. 12	HLSS	OW	1758'	516'
Nacogdoches	S. Hospah 47	20361	NENW Sec. 12	HLSS	OW	1780'	558'
Nacogdoches	S. Hospah 52	20243	NENW Sec. 12	HUSS	WIW	1622'	635'

NACOGDOCHES OIL AND GAS, INC.
SOUTH HOSPAH SWD 33
1340' FNL & 1710' FWL
SEC. 12, T. 17 N., R. 9 W.
McKINLEY COUNTY, NM

OPERATOR	WELL	API 30-031-	T. 17 N., R. 9 W.	ZONE	STATUS	TD	DISTANCE
Nacogdoches	S. Hospah 11	20016	SENW Sec. 12	HLSS	OW	1774'	675'
Nacogdoches	S. Hospah 10	60017	NENW Sec. 12	HLSS	OW	2827'	686'
Nacogdoches	S. Hospah 4	05145	NENW Sec. 12	HUSS	OW	1640'	694'
Nacogdoches	S. Hospah 16	20056	SENW Sec. 12	HUSS	OW	1710'	746'
Nacogdoches	S. Hospah 13	20054	SENW Sec. 12	HLUSS	OW	1720'	944'
Nacogdoches	S. Hospah 32	20125	NENW Sec. 12	HLUSS	OW	1647'	1029'
Nacogdoches	S. Hospah 46	20360	SWNW Sec. 12	HLSS	OW	1696'	1072'
Nacogdoches	S. Hospah 12	20020	SWNW Sec. 12	HLSS	OW	1840'	1091'
Nacogdoches	S. Hospah 48	20362	SWNE Sec. 12	HUSS	OW	1635'	1091'
Citation	S. Hospah 65	20614	SWNE Sec. 12	HUSS	P & A	1715'	1134'
Nacogdoches	S. Hospah 2	05139	SENW Sec. 12	HUSS	OW	1637'	1140'
Tenneco	Core Hole 1	20776	SWNE Sec. 12	HLSS	P & A	1719'	1167'
Nacogdoches	S. Hospah 51	20242	SWNW Sec. 12	HUSS	WIW	1662'	1173'
Tenneco	Hospah 67	20616	SWNW Sec. 12	HUSS	P & A	1715'	1198'
Tenneco	Core Hole 2	20777	SWNE Sec. 12	HLSS	P & A	1742'	1220'
Nacogdoches	S. Hospah 5	05146	NWNE Sec. 12	HUSS	WIW	1645'	1236'
Citation	Hospah 66	20615	SWNE Sec. 12	HUSS	P & A	1715'	1271'
Nacogdoches	S. Hospah 36	20118	NWNE Sec. 12	HLSS	WIW	1635'	1341'
BC & D	S. Hospah 18	20058	SWNE Sec. 12	HUSS	WIW	1750'	1355'
Nacogdoches	S. Hospah 61	20546	NWNE Sec. 12	HLSS	OW	1715'	1405'
Nacogdoches	S. Hospah 31	20122	NWNE Sec. 12	HLSS	OW	1651'	1490'
Nacogdoches	S. Hospah 17	20057	SWNE Sec. 12	HUSS	WIW	1787'	1585'
Nacogdoches	S. Hospah 24	20091	NWNE Sec. 12	HLSS	OW	1,711'	1602'
Petroleum	Santa Fe 46	05155	SESW Sec. 1	HLSS	P & A	1642'	1671'
Nacogdoches	Santa Fe 84	20372	SWSE Sec. 1	HLSS	WIW	1656'	1674'
Nacogdoches	S. Hospah 59	20410	SWNE Sec. 12	HLUSS	WIW	1657'	1725'
Nacogdoches	S. Hospah 21	05134	NESW Sec. 12	HUSS	OW	1647'	1733'
Nacogdoches	S. Hospah 15	20055	SWNW Sec. 12	HUSS	OW	1790'	1802'
Nacogdoches	S. Hospah 49	20363	NWNE Sec. 12	HLSS	OW	1639'	1839'
Nacogdoches	S. Hospah 57	20408	SWNW Sec. 12	HLSS	WIW	1746'	1860'
Nacogdoches	S. Hospah 22	05498	NWSW Sec. 12	HUSS	OW	1734'	1867'

OPERATOR	WELL	API 30-031-	T. 17 N., R. 9 W.	ZONE	STATUS	TD	DISTANCE
Nacogdoches	S. Hospah 8	20015	SWNE Sec. 12	HLSS	OW	1709'	1876'
Nacogdoches	S. Hospah 1	05142	SWNE Sec. 12	HUSS	OW	1565'	1953'
Nacogdoches	S. Hospah 30	20121	NWNE Sec. 12	HLUSS	OW	1622'	1958'
Whigham	CTV Hospah 1	05143	SWNE Sec. 12	Mancos	P & A	688'	1961'
BC&D	S. Hospah 19	05137	NWSE Sec. 12	HUSS	P & A	1638'	2012'
Nacogdoches	S. Hospah 9	20013	NWNE Sec. 12	Entrada	SWD	6945'	2103'
CTV	Whigham 2	05596	SENE Sec. 11	Gallup	P & A	1960'	2138'
Nacogdoches	Santa Fe 89	20422	SWSE Sec. 1	HLSS	OW	1769'	2211'
Nacogdoches	S. Hospah 29	20120	NWNE Sec. 12	HLSS	OW	1625'	2228'
Nacogdoches	S. Hospah 62	20545	NWNE Sec. 12	HLSS	OW	1710'	2236'
Nacogdoches	Whigham 3	20129	SESE Sec. 11	Hospah Dakota	OW	2885'	2272'
Citation	S. Hospah 23	20024	NESW Sec. 12	Hospah Dakota	OW	2968'	2285'
Nacogdoches	Santa Fe 79	20099	SWSE Sec. 1	HLSS	OW	1665'	2311'
Citation	S. hospah 55	20299	SENE Sec. 12	HUSS	P & A	1583'	2390'
Nacogdoches	S. Hospah 28	20095	NENE Sec. 12	HUSS	OW	1675'	2448'
Citation	S. Hospah 40	20161	SENE Sec. 12	HUSS	OW	1637'	2504'
Nacogdoches	Santa Fe 73	20019	SWSE Sec. 1	HLSS	OW	1665	2528'
Nacogdoches	S. Hospah 3	05140	SENE Sec. 12	HLSS	OW	1603'	2530'
Nacogdoches	S. Hospah 25	20092	NENE Sec. 12	HLSS	OW	1702'	2596'
Citation	S. Hospah 43	05655	NESE Sec. 11	HUSS	P & A	1753'	2611'
Citation	S. Hospah 41	20154	NENE Sec. 12	HLSS	P & A	1637'	2612'
Nacogdoches	Santa Fe 81	20134	SWSE Sec. 1	HLSS	OW	1655'	2617'
Citation	S. Hospah 56	20300	NENE Sec. 12	HUSS	P & A	1602'	2636'
Nacogdoches	*S. Hospah 63*	*20544*	*NENE Sec. 12*	*HLSS*	*WIW*	*1695'*	*2651'*

A map (Exhibit D) showing all 304 wells (139 producing oil wells + 29 water injection or disposal wells + 133 P & A wells + 3 water supply wells) within a two mile radius is attached.

Exhibit E shows all leases within a half mile radius. Details are:

T. 17 N., R. 9 W.	LESSOR	LEASE	LEASEHOLD OPERATOR
all Section 1	fee	fee	Nacogdoches
all Section 2	BLM	unleased	N/A
all Section 11	fee	fee	Nacogdoches
Lots 1-4, W2NE4, NW4 Sec. 12	BLM	NMNM-012335*	Nacogdoches
Lots 1-4, W2NE4, NW4 Sec. 12	BLM	NMNM-081208**	Nacogdoches
Lots 5 & 6, NWSE, & SW4 Sec. 12	BLM	NMNM-125263	Nacogdoches

*Entrada and all other zones excluding Upper Hospah sand
**Upper Hospah sand only

A map (Exhibit F) showing all lessors within a two mile radius is attached. Lessors are BLM, fee, Navajo allotted (FIMO), or State (NMSLO).

VI. Only one well within a 1/2 mile radius penetrated the proposed disposal zone. It (South Hospah 9) is an Entrada salt water disposal well that is 2,103' northeast. See Exhibit G for its history, location, and construction.

VII. 1. Average injection rate will be ≈5,000 bwpd.
Maximum injection rate will be ≈7,500 bwpd.

2. System will be closed. All needed infrastructure is in place. No additional facilities will be needed.

3. Average injection pressure will be ≈750 psi
Initial maximum injection pressure will be ≈762 psi
(≤0.2 psi x 3812' depth at top of open hole = 762.4 psi)
Nacogdoches will conduct a step rate test to raise the maximum if justified by test results and approved by government agencies.

4. Water source will be existing and future Nacogdoches wells in the San Juan Basin. Nacogdoches has >100 existing wells in the basin. Analyses of Entrada water from the South Hospah 9 (receiving or target water) and Hospah sand (produced or source water to be disposed) are attached (Exhibit H). An April 19, 1967 Sundry Notice

stated that Tenneco "rec salt wtr" from the Entrada in the South Hospah 9. A summary follows.

Parameter	Entrada run 1	Entrada run 2	Hospah sand	SDWA*
pH	7.65	7.63	8.97	6.5 - 8.5
resistivity	3.2	3.0		
specific gravity	1.011	1.011	1.001	
	(all mg/l)	(all mg/l)	(all mg/l)	(all mg/l)
barium	0	0	0	1.0
bicarbonate	85	98	720	
calcium	441	441	14	
carbonate	<1	<1		
chloride	400	600	410	250
hydroxide	0	0		
iron	0	0	8.25	0.3
magnesium	<0.5	<0.5	18.23	
potassium	3	5		
sodium	691	680	738	
sulfate	1900	1600	525	250
total dissolved solids	3517	3419	2434	500
total hardness $CaCO_3$	1102	1102	110	

* Safe Drinking Water Act

5. The Entrada has not been found to be productive within two miles of the well. No oil or gas has been found in the 13 Entrada wells (Exhibit I) which have been drilled in Townships 16 , 17, and 18 North and Ranges 8, 9, and 10 West.

Closest current Entrada production is the Eagle Springs 8 Federal 1H (30-043-20949). It >28 miles east-northeast in 8-19n-4w in the Arena Blanca Entrada, Southeast Pool.

In general, Entrada water near recharge zones (basin fringe) has a specific conductance of <1,500 μmhos. Entrada water from deeper parts of the basin has a specific conductance of >10,000 μmhos. Stone et al in Hydrogeology and water resources of San Juan Basin, New Mexico wrote, "Generally, however, water from the Entrada is not suitable for drinking, especially in deeper parts of the basin." Closest water disposal well in the Entrada is Nacogdoches'

South Hospah 9. It is 2,103' northeast in the NWNE Section 12. A total of 264,582 barrels were injected from June, 2010 through July, 2011.

VIII. The Entrada sandstone is a very porous and permeable æolian sandstone. It produces or produced oil elsewhere in the basin (Eagle Mesa, Leggs, Media, Ojo Encino, Papers Wash, Snake Eyes Fields). None of the 13 Entrada tests in T. 17 N., R. 8 W. and the eight surrounding townships have found oil or gas.

Formation tops in this well are:

Menefee Shale: 0'
Point Lookout Sandstone: 290'
Mancos Shale: 550'
Upper Hospah Sandstone: 1590'
Lower Hospah Sandstone: 1648'
Dakota Sandstone: 2507'
Morrison Formation: 2740'
Todilto Limestone: 3750'
Entrada Sandstone: 3812'
Total Depth: 3900'

There is one water well (Exhibit J) within a one mile radius. The Sanders water well is 4,241' northwest. It is 585' deep and the likely aquifer is the Point Lookout. (Note that the State Engineer's point of diversion web site has the incorrect location. The correct location is shown on the well completion report. The distance above is based on the completion report.)

Next closest (7,384' northeast) water well is Nacogdoches' water supply well. It has a total depth of ≈2,700'. It is not used for drinking water. Analyses from both wells are attached in Exhibit J.

No existing underground drinking water source is below the Entrada within a mile. There will be 3,227' of vertical separation between the bottom (585') of the only water well within a mile and the top of the Entrada (3,812').

IX. The well will be stimulated with 15% HCl.

X. A Schlumberger compensated formation density log is on file with OCD. A cement bond log will be run before and after Nacogdoches runs its liner.

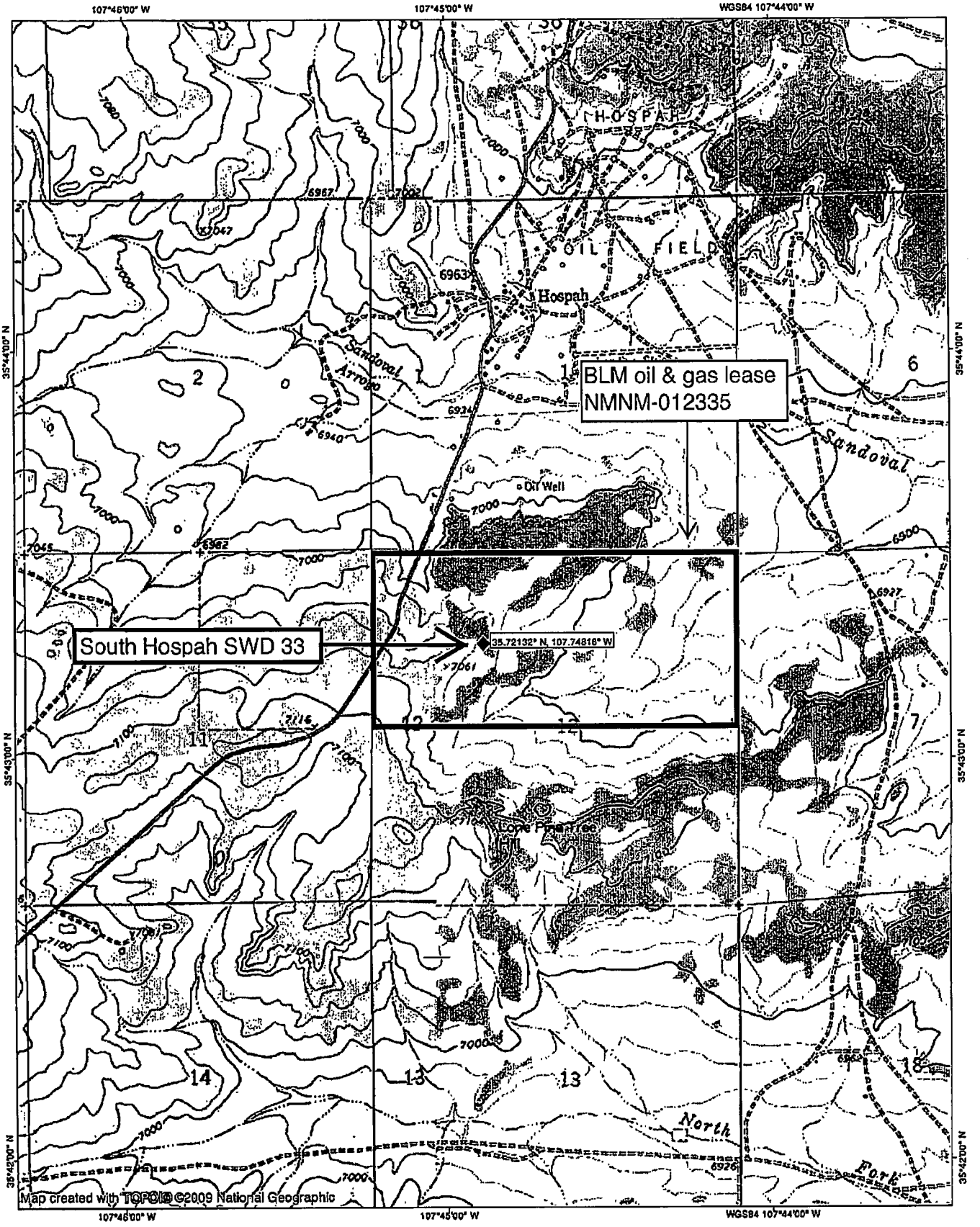
XI. There is one water well within a one mile radius. It is 4,241' northwest and is 585' deep. An analysis from it is attached as Exhibit J.

XII. Nacogdoches is not aware of any geologic or engineering data which may indicate the Entrada is in hydrologic connection with any underground sources of water. There will be 3,227' of vertical separation between the top (3,812') of the Entrada and the bottom (585') of the only water well within a mile. This interval includes at least one shale zone (Mancos).

XIII. Notice (this application) will be sent (Exhibit K) to the surface owner (BLM), operators of all wells (only Nacogdoches), and all Entrada lease interest owners within a half mile. Legal ad (Exhibit L) was published on September 10, 2011.

T. 17 N., R. 9 W.	LESSOR	LEASE	LESSEE OR OPERATING RIGHT
all Section 1	fee	fee	Nacogdoches
all Section 2	BLM	unleased	N/A
all Section 11	fee	fee	Nacogdoches
Lots 1-4, W2NE4, NW4 Sec. 12	BLM	NMNM-012335	Nacogdoches, BC&D, R&R
Lots 5 & 6, NWSE, & SW4 Sec. 12	BLM	NMNM-125263	Nacogdoches, R&R

TOPO! map printed on 10/02/11 from "Untitled.tpo"



NATIONAL GEOGRAPHIC

0.0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 miles
0.0 0.5 1.0 km

EXHIBIT A

TN + MN
9.5°
10/02/11

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No.
TENNECO OIL COMPANY	HOSPAH	33

Unit Letter	Section	Township	Range	County
F	12	17 North	9 West	McKinley

Actual Footage Location of Well					
1340	feet from the	North	line and	1710 feet from the	West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage
7060' ungr'd	Hospah Lower Sand	Hospah South (Lower Sand)	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

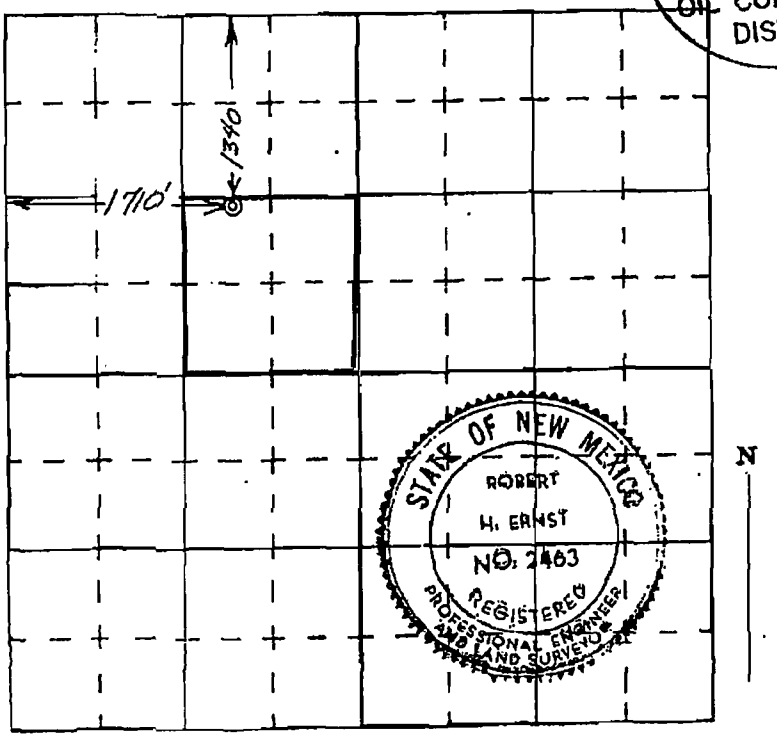
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated (by communitization, unitization, forced-pooling, etc.)?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



RECEIVED
AUG 28 1969
OIL CON. COM.
DIST. 3

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: G. A. Ford

Position: Sr. Production Clerk

Company: Tenneco Oil Company

Date: 8/26/69

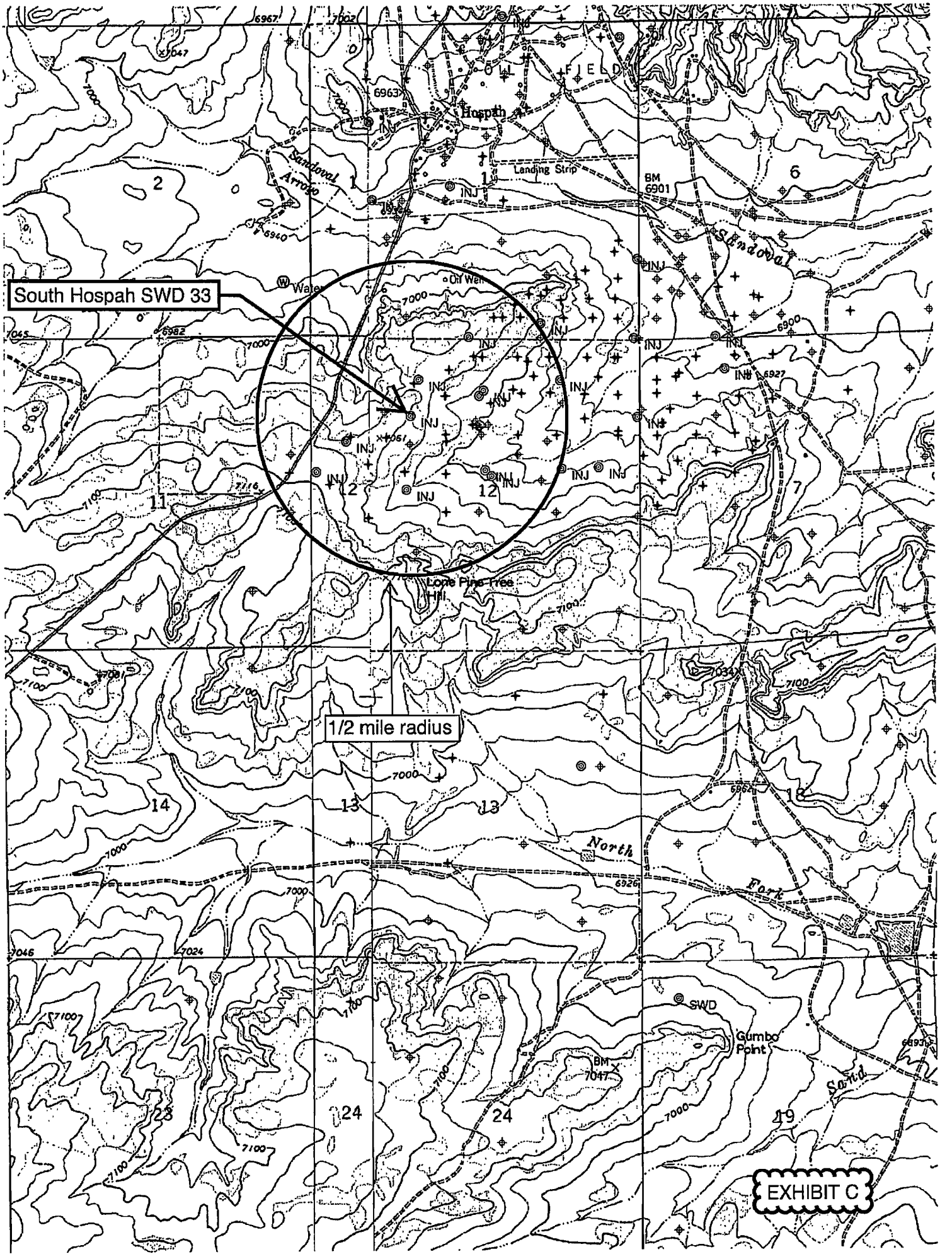
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: 31 July 1969

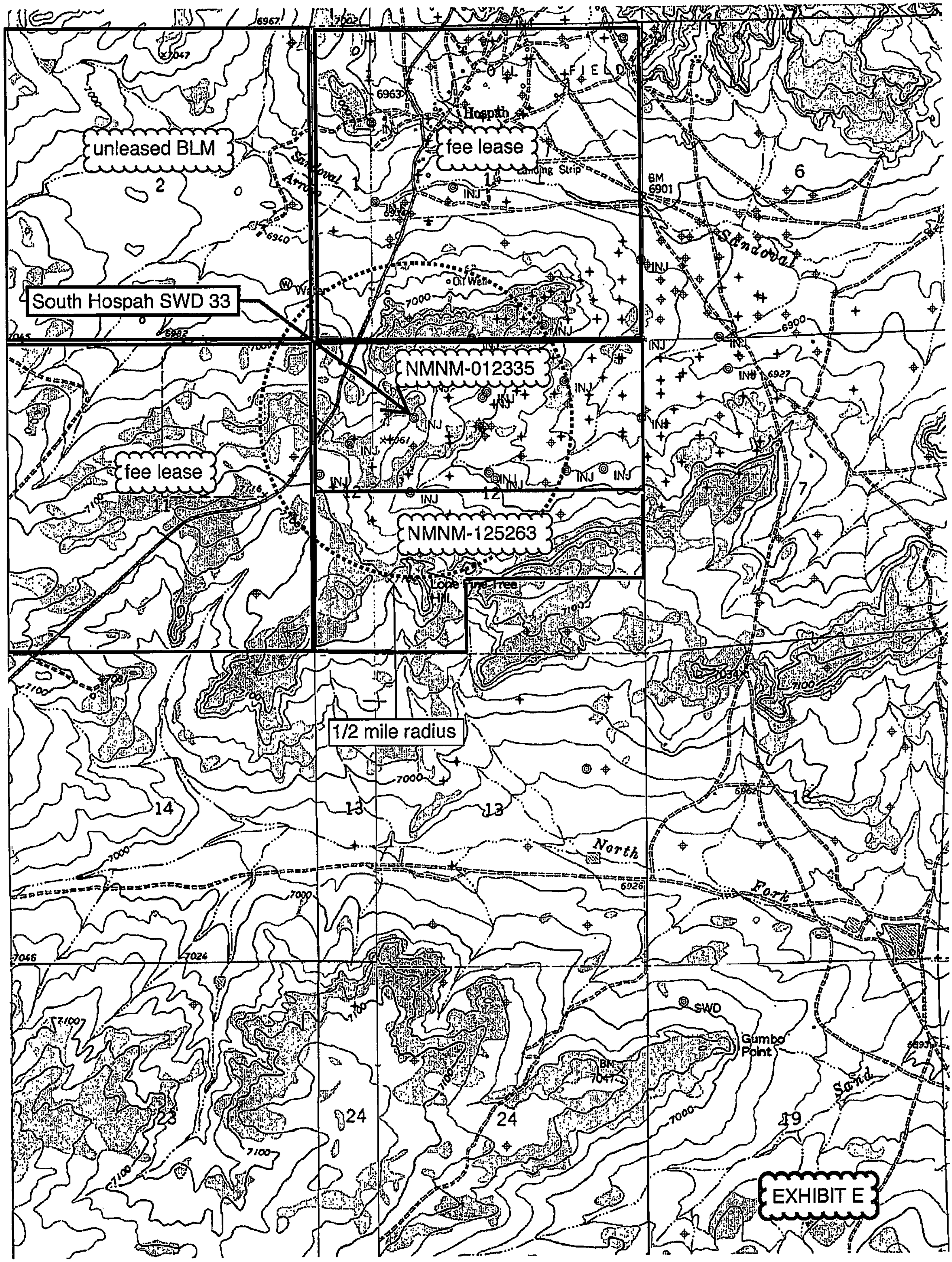
Registered Professional Engineer and/or Land Surveyor: Robert H. Ernst

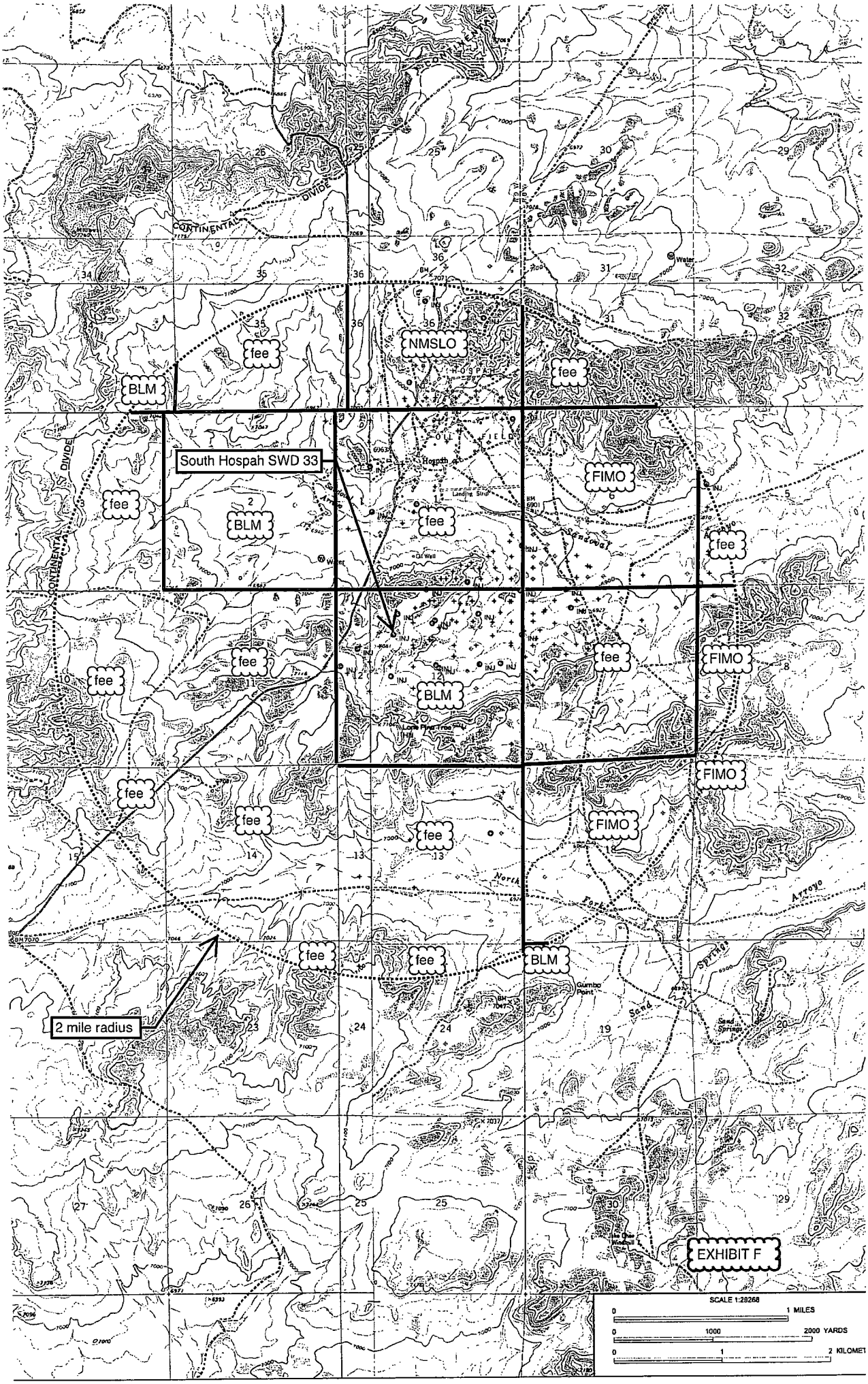
Certificate No. New Mexico LS & PE 2463

EXHIBIT B

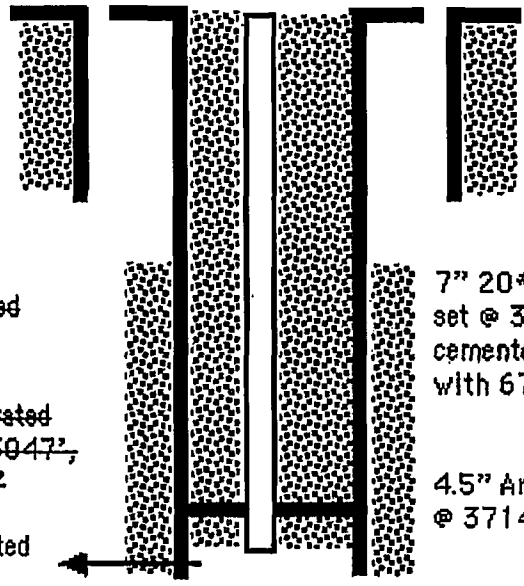

South Hospah SWD 33
1/2 mile radius
EXHIBIT C
Hospah
FIELD
Landing Strip
Sandoval Arroyo
Sandoval
Lone Pine Tree Hill
North Fork
Gumbo Point
SWD
BM 6901
BM 7047
INJ


South Hospah SWD 33
2 mile radius
EXHIBIT D
SCALE 1:25258
1 MILES
2000 YARDS
2 KILOMET


unleased BLM
fee lease
South Hospah SWD 33
NMNM-012335
fee lease
NMNM-125263
1/2 mile radius
Hospah
Landing Strip
Oil Well
Water
Lone Pine Tree Hill
North Fork
Sandoval Arroyo
Sandoval
Gumbo Point
SWD
INJ
BM 6901
BM 7047
2
1
6
7
11
12
13
14
18
19
23
24
EXHIBIT E


South Hospah SWD 33
2 mile radius
EXHIBIT F
fee
BLM
NMSLO
FIMO
CONTINENTAL DIVIDE
SCALE 1:28268
1 MILES
2000 YARDS
2 KILOMET

South Hospah SWD 9
API 30-031-20013
330 FNL & 2051 FEL 12-17n-9w
spud: 4-3-67
converted: 6-9-10



10-3/4" 32.75#
set @ 86' &
cemented to surface
with 90 sx

7" 20# & 23#
set @ 3933' &
cemented to 500'
with 670 cubic feet

4.5" Arrow packer
@ 3714'

~~Hospah perforated~~
~~1630' - 1652'~~

~~Morrison perforated~~
~~2915', 2990, 3047',~~
~~3100', & 3180'~~

Entrada perforated
3794' - 3854'

4.5" 10.5# liner
set @ 3748' &
cemented to surface with 307 sx
with 58 bbl displacement

TD = 3945'

EXHIBIT G

PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS

BJ SERVICES
Farmington District Lab
Water Analysis Report

Test # #9

Customer/Well Information

Company:	ANGELINA WELL	**Date:**	5/14/09
Well Name:	SOUTH HOSPAH#9	**Prepared for:**	ALLEN EAKER
Location:	00-000-00000	**Submitted by:**	ALLEN EAKER
State:	San Juan County, NM	**Prepared by:**	RON VALDEZ
Formation:	ENTRADA SAND ZONE	**Water Type:**	PRODUCED
Depth:	0		

Background Information

Reason for Testing: routine
Completion type:
Well History:
Comments: RUN #1

Sample Characteristics

Sample Temp:	63 (°F)	**Viscosity:**	1cP
pH:	7.63	**Color:**	GREY
Specific Gravity:	1.010	**Odor:**	HYDROCARBON
S.G. (Corrected):	1.011 @ 60 °F	**Turbidity:**	NONE
Resistivity (Meas.):	3.00 Ω-m	**Filtrates:**	SLIGHT

Sample Composition

CATIONS

	mg/l	me/l	ppm
Sodium (calc.)	680	29.6	673
Calcium	441	22.0	437
Magnesium	< .5	----	----
Barium	0	0.0	0
Potassium	**5**	0.1	5
Iron	**0.00**	0.0	0.00

ANIONS

Chloride	600	16.9	594
Sulfate	**1600**	33.3	1584
Hydroxide	0	0.0	0
Carbonate	< 1	----	----
Bicarbonate	98	1.6	97

SUMMARY

Total Dissolved Solids(calc.)	3419		3385
Total Hardness as CaCO3	1102	22.0	1091

Scaling Tendencies

CaCO3 Factor	43051.36	Calcium Carbonate Scale Probability --> REMOTE
CaSO4 Factor	705760	Calcium Sulfate Scale Probability ------> REMOTE

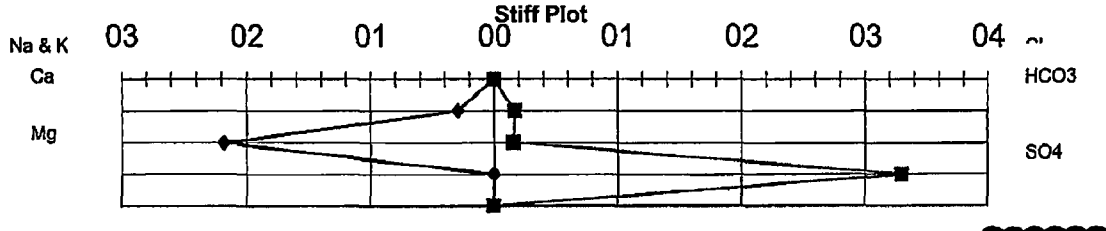


EXHIBIT H

BJ SERVICES
Farmington District Lab
Water Analysis Report

Test # #9

Customer/Well Information

Company:	ANGELINA WELL	**Date:**	5/14/09
Well Name:	SOUTH HOSPAH#9	**Prepared for:**	ALLEN EAKER
Location:	00-000-00000	**Submitted by:**	ALLEN EAKER
State:	San Juan County, NM	**Prepared by:**	RON VALDEZ
Formation:	ENTRADA SAND ZONE	**Water Type:**	PRODUCED
Depth:	0		

Background Information

Reason for Testing: routine
Completion type:
Well History:
Comments: run#2

Sample Characteristics

Sample Temp:	63 (°F)	**Viscosity:**	1cP
pH:	7.65	**Color:**	GREY
Specific Gravity:	1.010	**Odor:**	HYDROCARBON
S.G. (Corrected):	1.011 @ 60 °F	**Turbidity:**	NONE
Resistivity (Meas.):	3.20 Ω-m	**Filtrates:**	SLIGHT

Sample Composition

CATIONS

	mg/l	me/l	ppm
Sodium (calc.)	691	30.0	684
Calcium	441	22.0	437
Magnesium	< .5	---	----
Barium	0	0.0	0
Potassium	3	0.1	3
Iron	0.00	0.0	0.00

ANIONS

Chloride	400	11.3	396
Sulfate	1900	39.6	1881
Hydroxide	0	0.0	0
Carbonate	< 1	----	----
Bicarbonate	85	1.4	85

SUMMARY

Total Dissolved Solids(calc.)	3517		3482
Total Hardness as CaCO3	1102	22.0	1091

Scaling Tendencies

CaCO3 Factor	37669.94	Calcium Carbonate Scale Probability --> REMOTE
CaSO4 Factor	838090	Calcium Sulfate Scale Probability ------> REMOTE

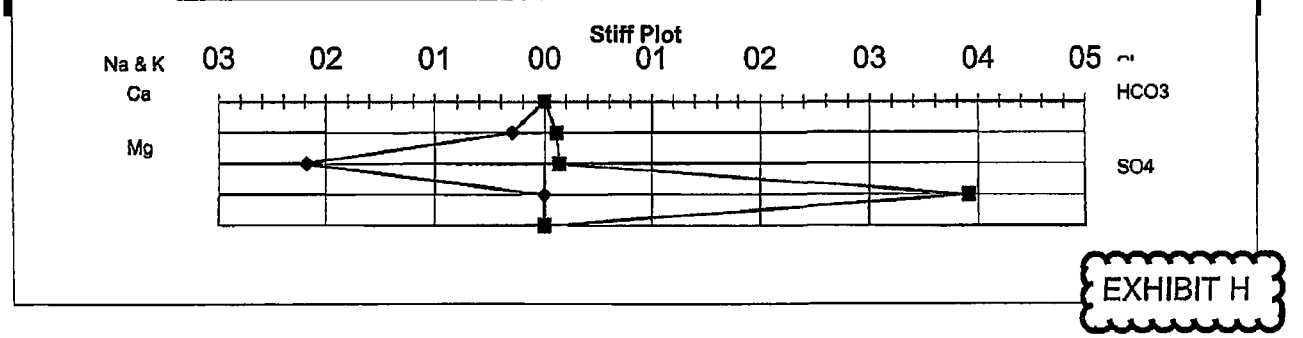


EXHIBIT H

EXHIBIT H

Water Analysis Results

Log # #080406
Sample ID Hospab Prod Water

Client J. Environmental Services **Sampled:** **Tested:** Sept. 5, 2008
Address **Depth:** **By:** JUR
BHT:

	mg/L
CO2 (dissolved)	100
O2 (dissolved)	ND
H2S	69.75
Suspended Solids (TSS)	84
Total Dissolved Solids (TDS)	2434
pH	8.97
Sp. Gravity	1.0010
Oil in Water	ND

Probable Mineral Composition		
Compound	meq/L	mg/L
BaSO4	0.00	0.00
Ca(HCO3)2	0.70	56.61
CaSO4	0.00	0.00
CaCl2	0.00	0.00
Mg(HCO3)2	1.50	109.74
MgSO4	0.00	0.00
MgCl2	0.00	0.00
NaHCO3	9.60	806.61
Na2SO4	10.93	776.69
NaCl	11.57	676.15

	mg/L	meq/L
Barium (Ba)	0.00	0.00
Calcium (Ca)	14.00	0.70
Iron (Fe)	8.25	0.29
Magnesium (Mg)	18.23	1.50
Sodium (Na)-calc.	738.05	32.10
Strontium (Sr)	nd	nd
Bicarbonate(HCO3)	720.00	11 80
Chloride (Cl)	410.00	11.57
Sulfate (SO4)	525.00	10.93
Alkalinity (CaCO3)		
Phenolphthalein	0.01	
Methyl Orange	720.00	
Hardness (CaCO3)		
Total	110	
Calcium	35	

Calcium Carbonate Scaling Index	
Temperature (F)	Scaling Index
70	Negative
90	Negative
110	Negative
140	Negative
180	Negative

MILLIEQUIVALENTS			
Cations		Anions	
Ca	0.70	HCO3	11.80
Mg	1.50	SO4	10.93
Na	32.10	Cl	11.57
Ba	0.00		

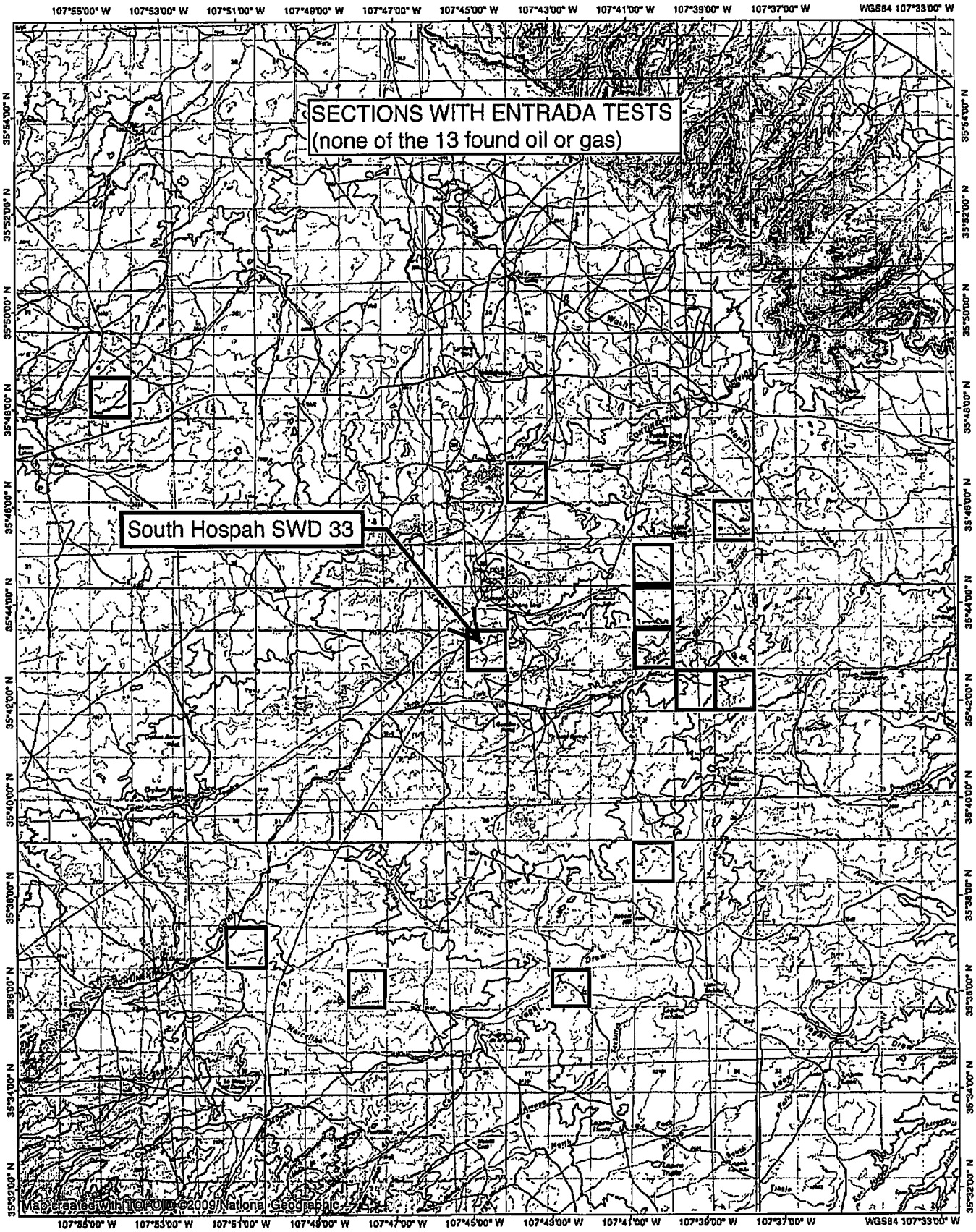
Saturation Values Dist. Water 20 C	
CaCO3	13 mg/L
CaSO4 2H20	2090 mg/L
BaSO4	2.4 mg/L

The scaling indices indicate the tendency for the sampled water to form scale. The formation of CaCO3 is likely if the index is positive. The formation of CaSO4 is likely if the Sat. Conc. is less than that of the probable mineral composition for CaSO4.

Calcium Sulfate Scaling Index	
Temperature (F)	Sat. Conc. (mg/L)
70	#N/A
90	#N/A
110	#N/A
140	#N/A
180	#N/A

Laboratory testing performed by MicroBac International, Inc.

TOPO! map printed on 10/25/11 from "Untitled.tpo"

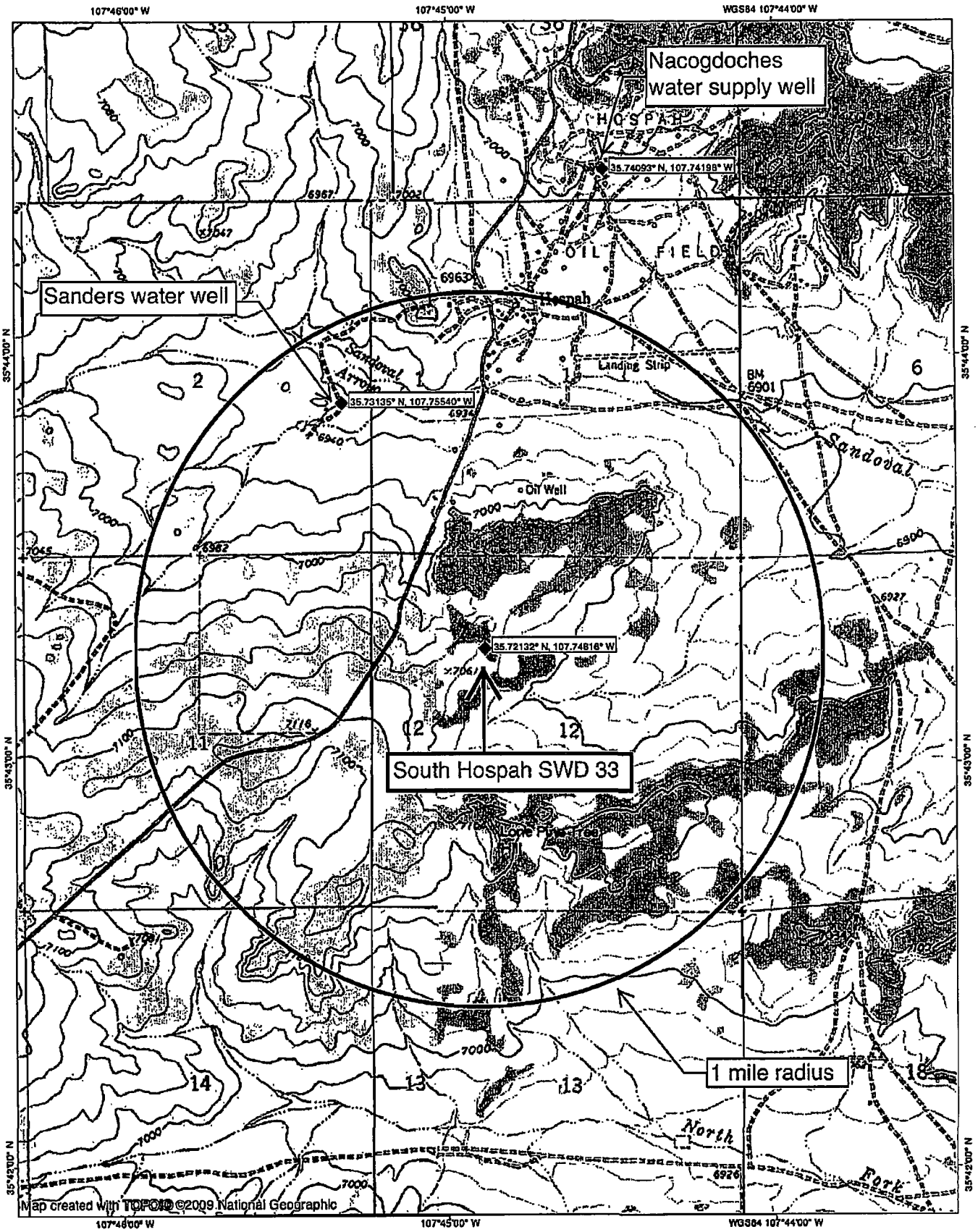


NATIONAL GEOGRAPHIC

0 1 2 3 4 5 6 miles
0 2 4 6 8 10 km

EXHIBIT I

TN MN
9.5°
10/25/11


TOPOI map printed on 10/25/11 from "Untitled.tpo"
107°46'00" W
107°45'00" W
WGS84 107°44'00" W
Nacogdoches water supply well
35.74093° N, 107.74198° W
HOSPAH
OIL FIELD
Sanders water well
35.73135° N, 107.75540° W
Hospah
Landing Strip
BM 6901
Sandoval
Oil Well
35.72132° N, 107.74816° W
South Hospah SWD 33
1 mile radius
North Fork
35°44'00" N
35°43'00" N
35°42'00" N
Map created with TOPO!® ©2009 National Geographic
NATIONAL GEOGRAPHIC
0.0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 miles
0.0 0.5 1.0 km
EXHIBIT J
TN+MN
9.5°
10/25/11

Water Analysis Results

Log # #080407
Sample ID *Hospah Fresh Water*

Client J. Environmental Services **Sampled:** **Tested:** Sept. 5, 2008
Address **Depth:** **By:** JUR
BHT:

	mg/L
CO2 (dissolved)	66
O2 (dissolved)	ND
H2S	0.085
Suspended Solids (TSS)	8
Total Dissolved Solids (TDS)	1798
pH	8.53
Sp. Gravity	1.0000
Oil in Water	ND

Probable Mineral Composition		
Compound	meq/L	mg/L
BaSO4	0.00	0.00
Ca(HCO3)2	0.40	32.35
CaSO4	0.00	0.00
CaCl2	0.00	0.00
Mg(HCO3)2	0.30	21.95
MgSO4	0.00	0.00
MgCl2	0.00	0.00
NaHCO3	6.87	577.33
Na2SO4	15.62	1109.56
NaCl	0.99	57.72

	mg/L	meq/L
Barium (Ba)	0.00	0.00
Calcium (Ca)	8.00	0.40
Iron (Fe)	0.00	0.00
Magnesium (Mg)	3.65	0.30
Sodium (Na)-calc.	539.84	23.48
Strontium (Sr)	nd	nd
Bicarbonate(HCO3)	462.00	7.57
Chloride (Cl)	35.00	0.99
Sulfate (SO4)	750.00	15.62

Alkalinity (CaCO3)	
Phenolphthalein	0.01
Methyl Orange	462.00

Hardness (CaCO3)	
Total	35
Calcium	20

Calcium Carbonate Scaling Index	
Temperature (F)	Scaling Index
70	Negative
90	Negative
110	Negative
140	Negative
180	Negative

MILLIEQUIVALENTS			
Cations		Anions	
Ca	0.40	HCO3	7.57
Mg	0.30	SO4	15.62
Na	23.48	Cl	0.99
Ba	0.00		

Saturation Values Dist. Water 20 C.	
CaCO3.	13 mg/L
CaSO4 2H20	2090 mg/L
BaSO4	2.4 mg/L

The scaling indices indicate the tendency for the sampled water to form scale. The formation of CaCO3 is likely if the index is positive. The formation of CaSO4 is likely if the Sat. Conc. is less than that of the probable mineral composition for CaSO4.

Calcium Sulfate Scaling Index	
Temperature (F)	Sat. Conc. (mg/L)
70	#N/A
90	#N/A
110	#N/A
140	#N/A
180	#N/A

Laboratory testing performed by MicroBac International, Inc.

EXHIBIT J

Sanders well

Hall Environmental Analysis Laboratory, Inc.

Nacogdoches' water supply well

Date: *05-Oct-11*

Analytical Report

CLIENT:	Permits West	**Client Sample ID:**	Hospah WSW
Lab Order:	1109B70	**Collection Date:**	9/27/2011 11:40:00 AM
Project:	Hospah	**Date Received:**	9/29/2011
Lab ID:	1109B70-01	**Matrix:**	AQUEOUS

Analyses	Result	PQL	Qual	Units	DF	Date Analyzed
OIL AND GREASE						Analyst: JB
Oil & Grease, Total Recoverable	640	100		mg/L	100	10/4/2011
SM2540C MOD: TOTAL DISSOLVED SOLIDS						Analyst: KS
Total Dissolved Solids	654	20.0		mg/L	1	10/4/2011 7:03:00 PM

EXHIBIT J

Qualifiers:

*	Value exceeds Maximum Contaminant Level
E	Estimated value
J	Analyte detected below quantitation limits
NC	Non-Chlorinated
PQL	Practical Quantitation Limit
B	Analyte detected in the associated Method Blank
H	Holding times for preparation or analysis exceeded
MCL	Maximum Contaminant Level
ND	Not Detected at the Reporting Limit
S	Spike recovery outside accepted recovery limits

PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS
37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

October 31, 2011

BLM
1235 LaPlata Highway
Farmington, NM 87401

Nacogdoches Oil and Gas, Inc. is applying (see attached application) to convert its South Hospah 33 oil well to a salt water disposal well. As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following proposed water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

Well Name: South Hospah SWD 33 Total Depth: 3,900'
Proposed Disposal Zone: Entrada (from 3,812' to 3,900')
Location: 1340' FNL & 1710' FWL Sec. 12, T. 17 N., R. 9 W.,
McKinley County, NM on BLM lease NMNM-012335
Approximate Location: ≈40 air miles north of Grants, NM
Applicant Name: Nacogdoches Oil and Gas, Inc. (936) 560-4747
Applicant's Address: P. O. Drawer 632418, Nacogdoches, TX 75963

Submittal Information: Application for a salt water disposal well will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, or wish to request a hearing, then it must be filed with the NMOCD within 15 days of receipt of this letter. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,

Brian Wood

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Sent To: BLM
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City, State, ZIP+4

PS Form 3800, August 2006

EXHIBIT K

PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS
37Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

October 31, 2011

BC&D Oil & Gas Corp.
P. O. Box 302
Hobbs, NM 88241-0302

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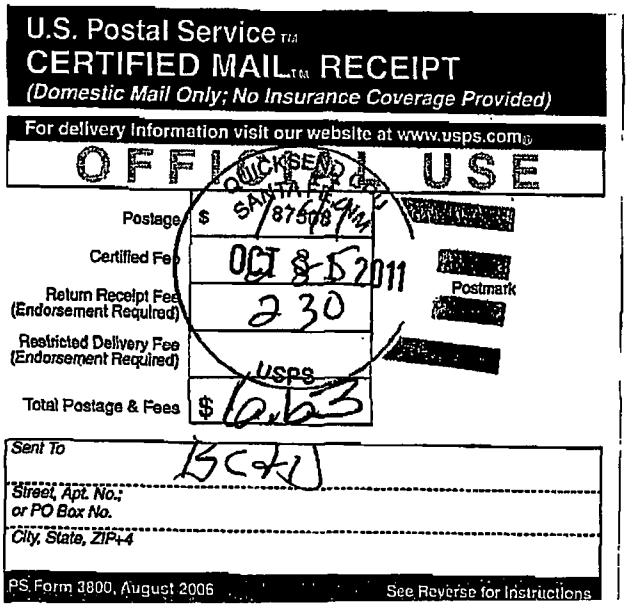
Sincerely,

Brian Wood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PS Form 3800, August 2006 See Reverse for Instructions

EXHIBIT K

PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

37Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

October 31, 2011

R & R Royalty Ltd.
500 N. Shoreline Blvd., Suite 322
Corpus Christi, TX 78401

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Sincerely,

Brian Wood

7007 2560 0003 3104 0325

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Restricted Delivery Fee (Endorsement Required)		[redacted]
Total Postage & Fees	$ 6.63	[redacted]

QUICKSEND SANTA FE NM 87508 OCT 30 2011 USPS

Sent To R&R

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

EXHIBIT K

Affidavit of Publication

STATE OF NEW MEXICO
) SS
COUNTY OF MCKINLEY

REBECCA PAQUIN being duly sworn upon oath, deposes and says:

As LEGAL CLERK of The Independent, a newspaper published in and having a general circulation in McKinley County, New Mexico and in the City of Gallup, New Mexico and having a general circulation in Cibola County, New Mexico and in the City of Grants, New Mexico and having a general circulation in Apache County, Arizona and in the City of St. Johns and in the City of Window Rock, Arizona therein: that this affiant makes the affidavit based upon personal knowledge of the facts herein sworn to. That the publication, a copy of which is hereto attached was published in said newspaper during the period time of publication and said notice was published in the newspaper proper, and not in a supplement thereof, for One Time, the first publication being on the _____ day of _____, 2011, the second publication being on the _____ day of _____, 2011, the third publication being on the _____ day of _____, 2010,

and the last publication being on the 10th day of September, 2011. That such newspaper, in which such notice or advertisement was published, is now and has been at all times material hereto, duly qualified for such purpose, and to publish legal notices and advertisements within the meaning of Chapter 12, of the statutes of the State of New Mexico, 1941 compilation.

Rebecca Paquin
Affiant.

Sworn and Subscribed to before me this 14th day of September, A.D., 2011.

Crystal Chavez
Notary Public

My commission expires:
June 25th, 2014

LEGAL NOTICE
Gallup McKinley County
New Mexico.

Nacogdoches Oil & Gas Inc. is applying for a saltwater disposals well. The South Hospah 33 will be deepened and converted from an injection will to dispose into the Entrada from 3800' to 8900'. It is located at 1340 FNL & 1710 FWL Sec. 12, T.17 N., R.9W., McKinley County. The will is 23 miles east - northeast of Crownpoint. Maximum disposal rate will be 7,500 bwpd. Maximum injection pressures will be 780 psi. Interested parties must file objections or requests for hearing with the NM Oil Conservation Division, 1220 South Saint Francis Dr., Santa Fe, NM 87505 within 15 days. Additional information can be obtained by contained by contacting: Brian Wood, Permits West, Inc. 37 Verano Loop, Santa Fe, NM: 87508. Phone: 505) 466-8120.

Legal # 12873 Published in The Independent September 10, 2011.

EXHIBIT L

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Tuesday, November 08, 2011 7:48 PM
To: 'brian wood'
Cc: Ezeanyim, Richard, EMNRD; Sanchez, Daniel J., EMNRD; Perrin, Charlie, EMNRD; 'Jay_Spielman@blm.gov'
Subject: Disposal application from Nacogdoches Oil and Gas, Inc.: South Hospah SWD #33 30-031-20124 Entrada from 3812 to 3900 feet

Hello Mr. Brian,

Will the BLM require any other logs on the deepened hole other than the CBL? Or does Nacogdoches plan to run any others? (The OCD may require at least minimal logging.)

Do you know how far north of Highway I-40 this well is?

Is Nacogdoches willing to limit this well to oil field waste waters of less than 3500 TDS?

I did not see any Rule 5.9 explanation in the application – but our web site shows about 5 single-well bonds needed and 67 of 180 wells still inactive for this operator. I seem to remember the previous Entrada SWD well (SWD-1211 issued 4/7/10) as being necessary to reduce the number of inactive wells. Has it helped or is it helping?

Please let me know whenever there is an agreed compliance in place to allow us to release SWD permits for Nacogdoches – all I see is the bad news on the web site.

As always, thank you for the thorough application,

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462

Jones, William V., EMNRD

From: brian wood [brian@permitswest.com]
Sent: Wednesday, November 09, 2011 7:21 AM
To: Jones, William V., EMNRD
Cc: MIKE ALLEN; JIM BRUCE
Subject: Re: Disposal application from Nacogdoches Oil and Gas, Inc.: South Hospah SWD #33 30-031-20124 Entrada from 3812 to 3900 feet

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What logs will OCD require?
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3. I will check with Nacogdoches on the 3500 TDS limit.
4. I will check with Nacogdoches on the bonds, etc.

On Nov 8, 2011, at 7:47 PM, Jones, William V., EMNRD wrote:

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Tel 505.476.3448 ~ Fax 505.476.3462

<image001.jpg>

Thanks Brian,
What is the CDL?

Nothing was attached... I assume you mean the water analysis attached to your original application,

Regards,

Will Jones
New Mexico
Oil Conservation Division
Images Contacts

From: brian wood [mailto:brian@permitswest.com]
Sent: Monday, November 14, 2011 1:58 PM
To: Jones, William V., EMNRD
Subject: Nacogdoches South Hospah 33 (30-031-20124)

Nacogdoches will run CDL and IEL logs across the Dakota & Entrada.

Nacogdoches will accept the 3,500 TDS limit.
Their current combined water stream is 2,434 TDS.
See attached analysis.

We are checking on the compliance question.

<image002.jpg>

Jones, William V., EMNRD

From: brian wood [brian@permitswest.com]
Sent: Monday, November 14, 2011 3:04 PM
To: Jones, William V., EMNRD
Subject: Re: Nacogdoches South Hospah 33 (30-031-20124)

Compensated Density Log
There was, and is, a jpg. attached.
If your firewall strips out the attachment, it is the last page of Exhibit H.

Water Analysis Results

Log # #080406
Sample ID Hospah Prod Water

Client J. Environmental Services
Address

Sampled:
Depth:
BHT:

Tested: Sept. 5, 2008
By: JUR

	mg/L
CO2 (dissolved)	100
O2 (dissolved)	ND
H2S	69.75
Suspended Solids (TSS)	84
Total Dissolved Solids (TDS)	2434
pH	8.97
Sp. Gravity	1.0010
Oil in Water	ND

Probable Mineral Composition		
Compound	meq/L	mg/L
BaSO4	0.00	0.00
Ca(HCO3)2	0.70	56.61
CaSO4	0.00	0.00
CaCl2	0.00	0.00
Mg(HCO3)2	1.50	109.74
MgSO4	0.00	0.00
MgCl2	0.00	0.00
NaHCO3	9.60	806.61
Na2SO4	10.93	776.69
NaCl	11.57	676.15

	mg/L	meq/L
Barium (Ba)	0.00	0.00
Calcium (Ca)	14.00	0.70
Iron (Fe)	8.25	0.29
Magnesium (Mg)	18.23	1.50
Sodium (Na) calc.	738.05	32.10
Strontium (Sr)	nd	nd
Bicarbonate(HCO3)	720.00	11.80
Chloride (Cl)	410.00	11.57
Sulfate (SO4)	525.00	10.93

Alkalinity (CaCO3)	
Phenolphthalein	0.01
Methyl Orange	720.00
Hardness (CaCO3)	
Total	110
Calcium	35

Calcium Carbonate Scaling Index	
Temperature (F)	Scaling Index
70	Negative
90	Negative
110	Negative
140	Negative
180	Negative

MILLIEQUIVALENTS		
Cations		Anions
Ca	0.70	HCO3
Mg	1.50	SO4
Na	32.10	Cl
Ba	0.00	

Saturation Values Dist. Water 20 C	
CaCO3	13 mg/L
CaSO4 2H20	2090 mg/L
BaSO4	2.4 mg/L

The scaling indices indicate the tendency for the sampled water to scale. The formation of CaCO3 is l if the index is positive. The forma of CaSO4 is likely if the Sat. Conc is less than that of the probable mineral composition for CaSO4.

Calcium Sulfate Scaling In	
Temperature (F)	Sat. Conc. (u
70	#N/A
90	#N/A
110	#N/A
140	#N/A
180	#N/A

Laboratory testing performed by MicroBac International, Inc.

On Nov 14, 2011, at 3:02 PM, Jones, William V., EMNRD wrote:

Jones, William V., EMNRD

From: Swazo, Sonny, EMNRD
Sent: Tuesday, May 22, 2012 6:14 PM
To: Jones, William V., EMNRD
Cc: Sanchez, Daniel J., EMNRD
Subject: RE: Disposal application from Nacogdoches Oil and Gas, Inc.: South Hospah SWD #33 30-031-20124 Entrada from 3812 to 3900 feet

Will:

There was an ACOI but you will have to check with the operator as we already told David Burns and the Nacogdoches person what it needed to do (i.e., submit the ACOI with any application so we know). Check with Daniel is any questions.

Thanks,

Sonny

From: Jones, William V., EMNRD
Sent: Tuesday, May 22, 2012 1:58 PM
To: Perrin, Charlie, EMNRD; Sanchez, Daniel J., EMNRD
Cc: Swazo, Sonny, EMNRD
Subject: FW: Disposal application from Nacogdoches Oil and Gas, Inc.: South Hospah SWD #33 30-031-20124 Entrada from 3812 to 3900 feet

Charlie and Daniel:
Here below is the only correspondence. Nothing else was received by me from Brian Wood or from Nacogdoches.
If an ACOI is in place and Rule 5.9 is OK, let me know and I could proceed to work on this application.

Have a cool day,

Will

From: brian wood [mailto:brian@permitswest.com]
Sent: Wednesday, November 09, 2011 7:21 AM
To: Jones, William V., EMNRD
Cc: MIKE ALLEN; JIM BRUCE
Subject: Re: Disposal application from Nacogdoches Oil and Gas, Inc.: South Hospah SWD #33 30-031-20124 Entrada from 3812 to 3900 feet

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Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462

<image001.jpg>

Injection Permit Checklist (11/13/2010)

WFX____ PMX____ SWD 1345 Permit Date 6/25/12 UIC Qtr (A M J)

Wells 1 Well Name(s): South Hospah SWD #33

API Num: 30-031-20124 Spud Date: 9/7/1969 New/Old: O (UIC primacy March 7, 1982)

Footages 1340 FNL/1710 FWL Unit F Sec 12 Tsp 17N Rge 9W County McKinley

General Location:

Operator: Nacogdoches Oil and Gas, INC. Contact Brian Wood

OGRID: 256689 RULE 5.9 Compliance (Wells) 67/180 (Finan Assur) 5 IS 5.9 OK? X

Well File Reviewed ✓ Current Status: WIW in Defunct Unit

Planned Work to Well: Drill Rat Hole, Run 4½" CMT to surf.

Diagrams: Before Conversion ✓ After Conversion ✓ Elogs in Imaging File: will Run CBL

? other logs ?

Well Details:	Sizes Hole.....Pipe	Setting Depths	Stage Tool	Cement Sx or Cf	Determination Method
New __Existing ✓ Surface	13 3/4 10 3/4	61	—	70	CIRC
New __Existing ✓ Interm	9 7/8 7	1647	—	125	1250 (calc)
New __Existing ✓ LongSt	6 1/4 4 1/2	3,812'		469	CIRC (CBL)
New __Existing __ Liner					
New __Existing __ OpenHole	4 1/2"	3812-3900'			

S. Hospah Unit Has Been Terminated

Depths/Formations:	Depths, Ft.	Formation	Tops?
Formation(s) Above	Upper Hospah 1590 Lower Hospah 1648 Dakota 2567		TOP of JE
Injection TOP: (approx)	3812	ENTRADA	Max. PSI 762 OpenHole ✓ Perfs ___
Injection BOTTOM:	3900	"	Tubing Size 2 3/8 Packer Depth 3,794'
Formation(s) Below		Bottom of JE	

Capitan Reef? ___ (Potash? ___ Noticed? ___) [WIPP? ___ Noticed? ___] Salado Top/Bot ___ Cliff House? ___

Fresh Water: Depths: <585 Formation P.L.O. Wells? 1 Analysis? ✓ Affirmative Statement ✓

Disposal Fluid Analysis? Sources: Nacogdoches own wells only

Disposal Interval: Analysis? Production Potential/Testing:

Notice: Newspaper Date 9/10/11 Surface Owner BLM (10/31/11) Mineral Owner(s)

RULE 26.7(A) Affected Persons: ~~No Offsets~~ BCED Oil & Gas Corp

AOR: Maps? ✓ Well List? ✓ Producing in Interval? No Wellbore Diagrams? —

.....Active Wells 1 Repairs? — WhichWells? —

.....P&A Wells 0 Repairs? — Which Wells? — See SWD-1211 (4/7/10)

Issues: Limit to waters < 3500 TDS Request Sent ___ Reply: ___