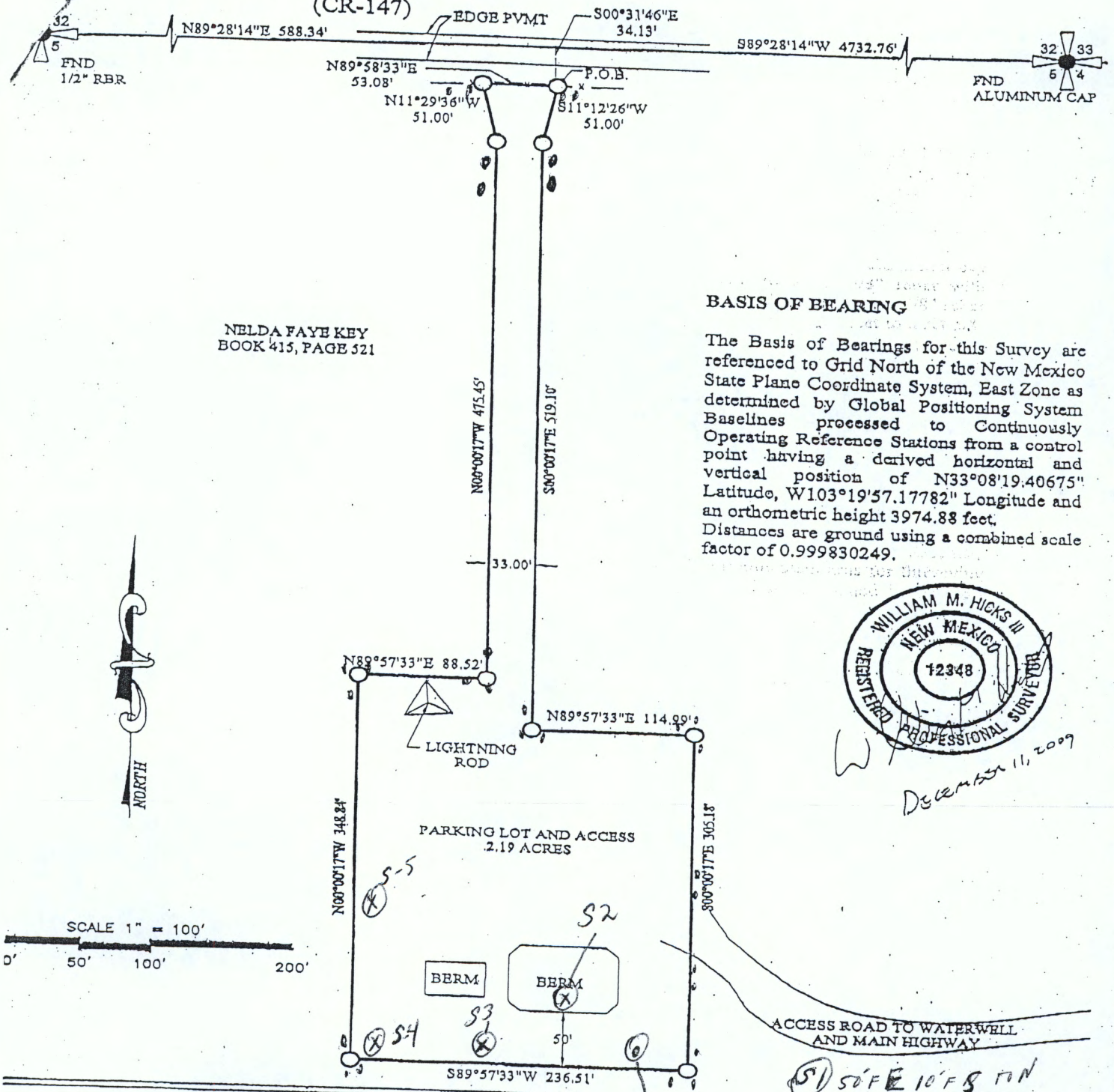
EXHIBIT A



BASIS OF BEARING

The Basis of Bearings for this Survey are referenced to Grid North of the New Mexico State Plane Coordinate System, East Zone as determined by Global Positioning System Baselines processed to Continuously Operating Reference Stations from a control point having a derived horizontal and vertical position of N33°08'19.40675" Latitude, W103°19'57.17782" Longitude and an orthometric height 3974.88 feet. Distances are ground using a combined scale factor of 0.999830249.

WILLIAM M. HICKS III
NEW MEXICO
12348
REGISTERED PROFESSIONAL SURVEYOR

December 11, 2009

LEGEND

- FOUND MONUMENT AS NOTED
- SET 5/8" REBAR WITH ALUMINUM CAP MARKED "WM HICKS NMPS 12348"
- FOUND SECTION CORNER AS NOTED

(S1) 50'FE 10'FS TON
(S2) 70'FE 80'FS TON
(S3) 85'FE 15'FS TON
(S4) IN SW CORNER OF FENCE
(S5) 105' FROM SOUTH WEST CORNER TO NORTH

ETTIGREW AND ASSOCIATES
1110 N. GRIMES HOBBS, N.M. 88240
(505) 393-9827

11/25/2009	PLOTTED
11/24/2009	PRELIMINARY PLAT

INDEXING INFORMATION FOR COUNTY CLERK

OWNER: NELDA FAYE KEY

LOC: NW1/4 OF SECTION 5, T14S, R36E, N.M.P.M., LEA COUNTY.

EASEMENT SURVEY PLAT FOR
DKD, LLC
PARKING LOT AND ACCESS

PROJ No. 2009.1215 DRN BY: Nel

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

July 26, 1983

COPY

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

ORDER SWD-262

THE APPLICATION OF HARVEY E. YATES COMPANY Richardson Fee SWD

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Harvey E. Yates Company made application to the New Mexico Oil Conservation Division on June 20, 1983, for permission to complete for salt water disposal its Richardson Fee Well No. 2 located in Unit K of Section 5, Township 14 South, Range 36 East, NMPM, Lea County, New Mexico.

The Division Director finds:

(1) That application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;

(2) That satisfactory information has been provided that all offset operators and surface owners have been duly notified; and

(3) That the applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met.

(4) That no objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED:

That the applicant herein, Harvey E. Yates Company is hereby authorized to complete its Richardson Fee Well No. 2, located in Unit K of Section 5, Township 14 South, Range 36 East, NMPM, Lea County, New Mexico, in such a manner as to permit the injection of salt water for disposal purposes into the Cisco-Canyon Penn formation at approximately 10,576 feet to approximately 11,368 feet through 2 3/8 inch plastic lined tubing set in a packer located at approximately 10,476 feet.

IT IS FURTHER ORDERED:

That the operator shall take all steps necessary to ensure that the injected water enters only the proposed injection

interval and is not permitted to escape to other formations or onto the surface.

That the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

That the injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 2,115 psi.

That the Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Cisco Canyon Penn formation. That such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

That the operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

That the operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing, casing, or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER, That jurisdiction of this cause is hereby retained by the Division for such further order or orders as may seem necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of applicant to comply with any requirement of this order after notice and hearing, the Division may terminate the authority hereby granted in the interest of conservation. That applicant shall submit monthly reports of the disposal operations in accordance with Rule 706 and 1120 of the Division Rules and Regulations.

Approved at Santa Fe, New Mexico, on this 20th day of July, 1983.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

ASSIGNMENT AND BILL OF SALE

COPY

KNOW ALL MEN BY THESE PRESENTS, THAT:

FOR AND IN CONSIDERATION of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I & W, INC. and I & W TRANSPORTATION, INC., both New Mexico Corporations, whose address is P. O. Box 98, Loco Hills, New Mexico 88255 (herein "Assignor"), do by these presents, hereby assign, transfer, sell and convey unto MESQUITE SWD, INC., a New Mexico Corporation, whose address is P. O. Box 481, Carlsbad, New Mexico 88221-0481 (herein "Assignee"), all of Assignor's right, title, ownership, and interest in, to, or under the following described oil and/or gas wells or well bores located in Lea County, New Mexico, and described as follows:

1. The Lea CK State #1 Well
   Unit Letter D (NW/4NW/4), Sec. 35, T-14-S,
   R-33-E, Lea County, New Mexico

2. Hobbs O State #1
   Unit Letter C (NE/4NW/4), Sec. 35, T-14-S,
   R-33-E, Lea County, New Mexico

together with the following oil and gas leases and leasehold interests located in Lea County, New Mexico, and described as follows:

1. Lease Name: State CK Lease, Lea County, New Mexico

   Lease Acreage: NW/4NW/4 Section 35, Township 14 South, Range 33 East, N.M.P.M., Lea County, New Mexico, containing 40 acres, more or less, from surface to 10,186 feet and below base of the Devonian Formation

	Working Interest	Net Revenue Interest
Interest conveyed:	ALL	.8750 WI

Description of Lease:

Date: June 10, 1943
Lessor: State of New Mexico through Commissioner of Public Lands
Lessee: Gulf Oil Corporation

2. Lease Name: Hobbs O Lease, Lea County, New Mexico

Lease Acreage: NE/4NW/4 Section 35, Township 14 South, Range 33 East, N.M.P.M., Lea County, New Mexico, limited to production to a depth of 10,186 feet subsurface

	Working Interest	Net Revenue Interest
Interest conveyed:	ALL	.71568440 WI

Description of Lease:

Date: August 11, 1952
Lessor: State of New Mexico through Commissioner of Public Lands
Lessee: The Atlantic Refining Company

FOR THE SAME CONSIDERATION, Assignor by these presents does hereby assign, transfer, sell and convey unto Assignee, on an "AS IS" basis, all of their interest in and to all surface and subsurface equipment located thereon and used in connection therewith.

Assignor, for itself, its successors and assigns hereby covenants with the Assignee, its successors and assigns, that the properties herein sold and transferred are free from all encumbrances made by Assignor, and that Assignor, its successors and assigns will warrant and defend the same unto the Assignee, its successors and assigns forever

against the lawful claims and demands of all persons claiming by, through, or under the Assignor, but against none other.

WITNESS OUR HANDS AND SEALS this 23 day of April, 1997, with this Assignment to become effective as of the 1st day of March, 1997.

ASSIGNOR
I & W, INC.

By: Lowell M Irby
Lowell M. Irby, President

I & W TRANSPORTATION, INC.

By: Lowell M Irby
Lowell M. Irby, President

STATE OF NEW MEXICO)
: ss.
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 23 day of April, 1997 by **Lowell M. Irby, President, I & W, INC, A NEW MEXICO CORPORATION,** on behalf of said corporation.

Melinda Lyon
Notary Public

My Commission Expires:
9-12-2000

STATE OF NEW MEXICO)
: ss.
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 23 day of April, 1997 by **Lowell M. Irby, President, I & W TRANSPORTATION, INC, A NEW MEXICO CORPORATION,** on behalf of said corporation.

Melinda Piper
Notary Public

My Commission Expires:
9-12-2000

COPY

McCORMICK, CARAWAY, TABOR AND MADRID, L.L.P.
ATTORNEYS AND COUNSELORS AT LAW
BUJAC BUILDING, 112 NORTH CANYON
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88221-1718

DON G. McCORMICK (1907-1986)
JOHN M. CARAWAY
CAS TABOR
DENISE A. MADRID
LISA B. RILEY

TELEPHONE 885-4171
AREA CODE 505
FAX: (505) 885-1963

COPY

June 17, 1998

Mr. Robert C. Hull, Trustee
Estate of Dovie M. Richardson
5048 Orchard Court
Golden, CO 80403

RE: Mesquite SWD --Richardson Fee #2-- Lea County, New Mexico

Dear Mr. Hull:

I have your letter of June 5, 1998. Before we can address any consideration in drafting any replacement contract, I would ask that you furnish me with: (1) the closing or final Order from the Probate case involving Myrtle Dovie Richardson, (2) a copy of the Deed of Distribution to the correct heir concerning this land (it was my understanding this was to be Deeded to Nelda Fay Key), and (3) if the Deed is to Nelda Fay Key, then you need to furnish me with a recorded Power of Attorney for you to represent the interests of Nelda Fay Key. Otherwise, I will be required to deal with Ms. Key directly.

Very truly yours,

John M. Caraway

JMC/lc
pc: Mr. Clay Wilson

McCORMICK, CARAWAY, TABOR AND MADRID
ATTORNEYS AT LAW
BUJAC BUILDING, 112 NORTH CANYON
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88221-1718

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TELEPHONE 885-4171
AREA CODE 505
FAX:(505) 885-1963

COPY

April 8, 1997

COPY

Mr. Robert C. Hull, Trustee
Estate of Dovie M. Richardson
5048 Orchard Court
Golden, CO 80403

RE: The Richardson Fee #2 Well Unit Letter "K"(NE/4SW/4), Section 5, Township 14 South, Range 36 East, Lea County, New Mexico

Dear Mr. Hull:

This office represents Clay Wilson individually and Mesquite SWD, Inc. We are responding to your two separate letters dated March 21, 1997 directed to our clients.

Clay Wilson entered into a new Disposal Contract dated October 2, 1996 with Myrtle Dovie Richardson. A copy of that Disposal Contract is enclosed. You can observe from the Contract that Wilson is to pay Richardson (now her Estate) the sum of $200.00 per month with an additional 1 cent per barrel for all water disposed into the Richardson Fee 2 Well. Payment will be made on the first of each month. Additionally, Wilson has performed and made payments under the Disposal Contract. The Contract itself implies a right of access to and from the Well and in fact even indicates Wilson's responsibility in maintaining the road from the blacktop to the disposal well and complying with all rules and regulations of the New Mexico Oil Conservation Division.

I have researched this matter and determined that this Well has been existence since 1983 and was approved by the New Mexico Oil Conservation Division as a salt water disposal well on July 20, 1983. I enclose a copy of the Administrative Order of the Oil Conservation Division approving the use of this well as a salt water well. The well has continuously been used as a salt water disposal well at all times since 1983. The Commission has continuing jurisdiction over operations of salt water disposal wells in New Mexico. Harvey E. Yates Company who has oil and gas production in this area originally completed the salt water well. In 1990, the same was sold by Harvey E. Yates Company to I & W Transportation, Inc., who in turn sold to our client.

I trust that this will be sufficient information concerning the well and our client's rights. I should add also that the October 2, 1996 Contract negotiated by Mr. Wilson with

the late Myrtle Dovie Richardson provided an increase in the amount which she was being paid per month for the salt water disposal well together with an increase in the amount paid per barrel of water so disposed.

We trust that this will serve as sufficient information to you concerning the well and our client's rights. Our client has a continuing right of access to the well for purposes of performance of its contract. Any interference with that right will be met with legal action.

Very truly yours,

John M. Caraway

JMC/lc
Enclosure(s)
pc: Mr. Clay Wilson, wo/Enclosure(s)

McCORMICK, CARAWAY, TABOR AND MADRID, L.L.P.
ATTORNEYS AND COUNSELORS AT LAW
BUJAC BUILDING, 112 NORTH CANYON
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88221-1718

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DENISE A. MADRID
LISA

TELEPHONE 885-4171
AREA CODE 505
FAX: (505) 885-1963

July 28, 1998

VIA FEDERAL EXPRESS
#802749430498

COPY
COPY

Ms. Nelda Key, Personal Representative
Estate of Dovie M. Richardson
4115-F. Butte House Road
Yuba City, CA 95993

RE: Richardson Fee #2 SWD Well, Lea County, New Mexico

Dear Ms. Key:

My client, Clay Wilson, who is the sole owner and shareholder of Mesquite SWD, Inc., provided me your letter of July 20, 1998 for reply.

I have examined this Salt Water Disposal Well and the history of ownership of the Well in detail. Mesquite SWD, Inc. and its owner, Clay L. Wilson has a right of access across your lands for purposes of operation of the Salt Water Disposal Well known as the Richardson Fee #2. There was a Disposal Contract entered into by Mr. Wilson with the late Myrtle Dovie Richardson, and the Estate has accepted numerous monthly payments made by Mr. Wilson and Mesquite SWD, Inc. under this Contract. To now say that you have no Disposal Contract and that Mesquite SWD, Inc. has no rights to this disposal well is ludicrous.

As my previous correspondence with you and Mr. Hull has indicated, any steps on your part to deny access to Mesquite SWD, Inc. to and from its Salt Water Disposal Well will be met with prompt injunctive legal action, together with actual and punitive damages against you and the Estate. Any Judgment against you and the Estate will be collected by action against the lands which you own in Lea County, New Mexico, together with any other assets of yours upon which execution may occur to collect a Judgment for damages.

We hope and trust that "wiser heads will prevail" and that you will not take the precipitous action of attempting to exclude Mesquite SWD, Inc. from the legal rights which they have and have had to operate this Salt Water Disposal Well.

Very truly yours,

John M. Caraway

JMC/lc
Enclosure(s)
pc: Mr. Clay Wilson, wo/Enclosure(s)

McCORMICK, CARAWAY, TABOR AND MADRID, L.L.P.
ATTORNEYS AND COUNSELORS AT LAW
BUJAC BUILDING, 112 NORTH CANYON
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88221-1718

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JOHN M. CARAWAY
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LISA B. RILEY

TELEPHONE 885-4171
AREA CODE 505
FAX:(505) 885-1963

October 16, 1997

Mr. Robert C. Hull, Trustee
Estate of Dovie M. Richardson
5048 Orchard Court
Golden, CO 80403

RE: Richardson Fee #2 SWD Well, Lea County, New Mexico

Dear Mr. Hull:

This office represents Clay Wilson and Mesquite SWD, Inc. This will respond to your letter of October 9, 1997.

Mr. Wilson has surveyed the area in question which consists of an alternate right-of-way used by Salt Water Disposal traffic. The alternate route is approximately 15 feet in width by 3/10ths of a mile in length or consumes approximately .54 acres.

We offer you and the Dovie Richardson Estate a sincere apology over the alternate route taken by the disposal traffic. What happened is that the existing road filled with water over heavy rains and there were some deep almost impassable places in the road for heavy traffic.

Mesquite SWD would like to offer to the appropriate person in ownership the sum of $500.00 as and for these unforseen surface damages. Since this land is probably not worth approximately $250.00 per acre, we feel an offer of $500.00 for approximately 1/2 an acre of grassland disturbance is reasonable. Again, we apologize to the Estate and to your Ranch Lessee for any inconvenience. I would also ask that you kindly furnish me with either proof of your authority to act for the Estate or documentation to establish the ownership so that we may properly draw our surface damage check.

I should also mention that Mesquite SWD desires to continue to maintain the road and they are in need of access and use of the caliche pit which is located to the Southeast of the Richardson Fee #2 tank battery. Heretofore, Mesquite SWD had attempted to gain written permission to utilize the caliche pit to keep the roads under repair from what SWD was informed to be the rightful heir of the Estate who lives in California. He has, however, been unable to talk with the heir to reach any agreement. The caliche may obviously be

used for the road compacting and construction and can have the potential of avoiding low places that develop in the road where rainwater can be collected. This was the precise problem that led the traffic to slightly deviate from the established road.

Mesquite SWD has also ordered approximately five signs in number, 24" X 18" in dimension, which will warn any and all oilfield traffic to stay on the existing road. I should add also that once Mesquite SWD learned that the trucks were departing from the road right-of-way, the appropriate companies were notified and the action immediately was stopped. Additionally, the offending actions did not consume more than two days in length.

Mesquite SWD has been a good steward of the land during its period of occupancy. As evidence of this, Mesquite has upgraded and painted the tanks on the tank battery both for appearance and for avoidance of any leaks, has installed a new 3" polyvinyl flow line from the tank battery to the disposal well, and has installed complete new gravel around the tank battery in order to avoid vehicular or other traffic sinking into the earth.

We hope that you find the offer of surface damages acceptable in the spirit of compromise. We believe that we have and continue to have a legal right of access to the premises for purposes of operating the Richardson #2 well which Mesquite SWD owns. The rights to use this well relate all the way back to 1983 when it was owned by Heyco. Heyco then sold the well and existing rights to I & W, Inc. and I & W, Inc. has since made an Assignment and Bill of Sale to Mesquite SWD. As I have mentioned in my previous correspondence, Mesquite SWD will vigorously enforce its legal rights for continued access and will seek both actual and punitive damages against any offending parties who interfere with those continued rights of access.

Upon your acceptance of this offer for settlement of the existing right-of-way damages, we shall forward a check made payable to the appropriate party and send you a release. Also, please provide a telephone number and fax number in your return correspondence.

Very truly yours,

John M. Caraway

JMC/lc
pc: Mr. Clay Wilson

McCORMICK, CARAWAY, TABOR AND MADRID, L.L.P.
ATTORNEYS AND COUNSELORS AT LAW
BUJAC BUILDING, 112 NORTH CANYON
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88221-1718

DON G. McCORMICK (1907-1986)
JOHN M. CARAWAY
CAS TABOR
DENISE A. MADRID
LISA B. RILEY

TELEPHONE 885-4171
AREA CODE 505
FAX: (505) 885-1963

October 27, 1997

VIA FEDERAL EXPRESS #4483518955

Mr. Robert C. Hull, Trustee
Estate of Dovie M. Richardson
5048 Orchard Court
Golden, CO 80403

RE: Richardson Fee #2 SWD Well, Lea County, New Mexico

Dear Mr. Hull:

I received a telefax from an unknown source of a letter addressed from you dated October 20, 1997 to Mesquite SWD, Mr. Clay Wilson. Your letter gives cause for concern because it says that the owners have "elected to close off all access into section 5". Additionally, we have heard from Mr. Stroud that the estate instructed him to lock the gate of access. As I stated before, we will bring suit immediately in the District Court of Lea County for all actual and punitive damages against the Estate, its heirs, Mr. Steve Stroud, together with anyone else involved for any interference with ingress and egress rights of Mesquite SWD.

We truly regret that during the heavy rains, the trucks which had difficulty traversing the established roads found it necessary deviate slightly from the right-of-way. We have, however, offered to the Estate the sum of $500.00 representing damages for approximately .54 acres which were impacted. We have taken photographs of the encroachment. Indeed, the photographs do not reveal serious damages by the trucks. Moreover, incurring surface damages give you no legal right to terminate a legal right of access to and from the well which access has been in use since 1983.

As I have indicated to you previously, Mesquite SWD will vigorously enforce its rights of access and for damages in the event that they become unable to service and operate their well. The sum of five hundred dollars ($500.00) a day in damages will be the minimal amount sustained by Mesquite SWD if right of access be interrupted. I should also advise that Heyco uses Mesquite SWD's facilities both for storage of excess water in the tank battery operated by SWD as well as disposal in the Richardson No. 2 Well operated by Mesquite SWD. To prevent Mesquite SWD from operating its well may also cause potential damages to Heyco.

Mesquite SWD has formally acquired an Assignment and Bill of Sale from I & W Inc.

and I & W Transportation, Inc. of the Richardson Fee #2 Well located on Section 5. I & W had previously acquired all rights to this Well from Heyco. I am forwarding to you a copy of the Assignment and Bill of Sale from I & W to Mesquite SWD. Insofar as the disposal Contract which is a legal document and which was entered into in good faith between Clay L. Wilson and Myrtle Dovie Richardson, please be informed that Clay L. Wilson is Mesquite SWD, Inc. and is its sole shareholder. Any rights which Clay Wilson had under the Disposal Contract with Ms. Richardson are now owned by Mesquite SWD, Inc.

I hope after you have received this letter that "wiser heads" can prevail against any attempt to prevent or prohibit Mesquite SWD from accessing and operating its well. If your decision is still to do so, please notify me immediately.

We will be happy to enter into negotiations with you for a new Contract but we are not going to condition our right of access upon such new Contract.

Very truly yours,

John M. Caraway

John M. Caraway

JMC/lc
Enclosure(s)
pc: Mr. Clay Wilson, via telefax 885-3311/wo/Enclosure(s)
Mr. Harvey E. Yates Company, wo/Enclosure(s)
ATTN.: Mr. Steven M. Yates, Vice President, via First Class Mail
P. O. Box 1933
Roswell, NM 88202-1933
Ms. Nelda Key, VIA FEDERAL EXPRESS/w/Enclosure(s)
4115-F. Butte House Road
Yuba City, CA 95993
Mr. Steve Stroud, wo/Enclosure(s)
General Delivery
Tatum, NM 88267

COPY

Dear Mrs Richardson

Hope you're feeling better. We finally got my mother-in-law home from the hospital the other day.

I still haven't closed my deal with Low, we do I'll tell you then.

Get well.

Thanks!

Clay

Feb. 11, 1997

If you knew you could not honor your contract when you made it why did you sign it with me. I know you said at the time but you said it would only be a month - not to go into the New year. Now your check is made by your ~~Company~~ not by (2+2) So why don't you honor the contract as you signed.

Dovie Richardson

P.S. It was a ~~bitch~~ right away in to

the well that you bought from L+W, not a lease - That is what you have.

COPY

A G R E E M E N T

THIS AGREEMENT is entered into this _____ day of _____, 1990, by and between HARVEY E. YATES COMPANY, a New Mexico corporation, et al, ("Heyco") and I & W TRANSPORTATION, INC., a New Mexico corporation ("I & W").

W I T N E S S E T H:

The parties hereto agree as follows:

1. Heyco is the owner of a salt water disposal well known as "Richardson Fee Well #2" approved by Administrative Order of the Oil Conservation Division Order SWD No. 262.

2. Richardson #2 SWD is located in Lea County, New Mexico, described as follows:

> 1980' FSL and 1980' FWL of Section 5, Township 14 South, Range 36 East, N.M.P.M. (Unit K, Section 5, Township 14 South, Range 36 East, N.M.P.M.)
> TOGETHER WITH all surface and subsurface equipment.

3. Heyco will convey Richardson #2 SWD to I & W for the sum of $10,000.00 and I & W will assume the plugging obligation in connection with said well.

4. As further consideration for this agreement, I & W will furnish Heyco, et al, free disposal for its Richardson Fee #3 located in Lea County, New Mexico, as follows:

a. Up to 25 barrels a day of produced water.

b. Any additional produced water above the 25 barrels per day will be charged at the rate of 25¢ per barrel.

5. Heyco warrants that it has an agreement with Myrtle Dovie Richardson (landowner) to pay her the sum of $100.00 per month for the privilege of the use of her land for disposal purposes in connection with the SWD well. Heyco hereby assigns all of its right, title and interest in and to its agreement with Myrtle Dovie Richardson to I & W.

I & W will assume and be responsible to Myrtle Dovie Richardson for any surface damage which may be caused by I & W, its employees, agents or invitees, which may occur in connection with the disposal operation.

6. The SWD well referred to in paragraph 2 shall be used solely for salt water disposal operations.

7. Should the disposal facility be shut down for reasons beyond the control of I & W, or for which it is not responsible, for a period of more than seven (7) days, I & W will provide transport of the produced water from Richardson Fee #3 for disposal elsewhere on the basis of its existing tariff rates, i.e. 95¢ per barrel, all in accord with the water hauling tariff rates filed with the State Corporation Commission.

8. Should I & W assign or transfer the operation of the SWD well to another party or entity, such transfer will be

subject to this agreement, with Heyco retaining all of its rights hereunder.

9. Should I & W determine to change the use of the wellbore from salt water disposal purposes or if it determines to abandon or plug the well, it will notify Heyco, who will then have the option to purchase the well back for the initial purchase price and Heyco will receive the same equipment as in the initial sale (as it executed at the date of this agreement) as shown in paragraph 1, and I & W may retain any new surface equipment which it may have installed after the date of this agreement.

10. Any use of the wellbore for purposes other than salt water disposal must be approved by Heyco.

11. Upon notification by I & W to Heyco of its intent to convey the wellbore, or use it for some purpose other than salt water disposal, or of its intent to plug the wellbore, it shall immediately give notice of such intent to Heyco, which will thereafter, within thirty (30) days, exercise its option to re-purchase as set forth above.

12. I & W will assume and be responsible for all utilities (electric, etc.) from and after the date of transfer to I & W.

13. Heyco warrants that it has the full right and authority to execute and carry out the terms of this agreement on behalf of all interest owners.

14. Notices shall be addressed as follows:

HEYCO
Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88202-1933

I & W Transportation, Inc.
P. O. Box 939
Lovington, NM 88260

15. This agreement shall be binding on the heirs, successors and assigns of the parties hereto.

WITNESS our hands this day.

HARVEY E. YATES COMPANY

By: _____

I & W TRANSPORTATION, INC.

By: Lowell M. Irby
Lowell M. Irby, President

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1990, by _____, _____ of HARVEY E. YATES COMPANY.

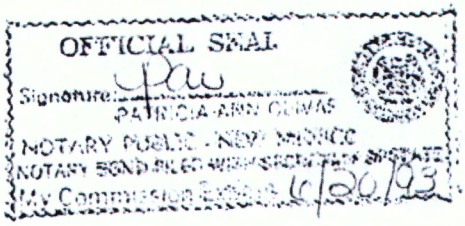
_____
Notary Public

My Commission Expires:

_____

STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 26 day of September, 1990, by Lowell M. Irby, President of I & W TRANSPORTATION, INC.



Patricia Ann Cuevas
Notary Public

COPY

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

clay wilson
505-369-2371 mobil
505-885-3996-Ans
885-9859 home

March 28,1997

To; Trustees -Dovie M. Richardson Estate
From; Robert C. Hull
Subject; Mesquite SWD-Clay Wilson(Salt Water Injection Well-Richardson Fee Well #2)

Per your directions a letter requesting information regarding the use of the above referenced well located 1980FSL and 1980FWL of Sec. 5, Twp.14S, Rng. 36E,NMPM was sent to certain parties of record.(see attached)

This date I received a telephone call from Mr. Clay Wilson of Mesquite SWD,P.O. Box 481,Carlsbad,New Mexico in reply to the referenced letter. The following are notes from that conversation;

1-Mr. Wilson has purchased all rights title and interest to operation of the injection well with ROW from I and W Inc. of Loco Hills, N.M. with date of effective contract being March 1, 1997.

2- Mr. Wilson had some type of agreement with Dovie M. Richardson. My notes indicate that Mr. Wilson reported that he was to pay Mrs. Richardson $200.00/mo. plus a fee per bbl. for use of the injection well and ROW- There was no length of time involved nor start of time with the reported agreement This is reported to be double the amount that I and W was paying.(see attached) The agreement is not of record and has no dates involved as to time of signing, length of contract and terms of contract conditions, Mr. Wilson reported that his attorney had a detail contract to be sent ASAP for review by you.

3- Mr. Wilson reported that there is no law regarding amount of fluid that can be injected into the said well, nor is there an environmental reporting process as to the quality of fluids injected.

4- Mr. Wilson reported that he was clearing up the tank area used for delivery of the injected fluids and new tanks were being installed with spill control monitors. A spill control area would be built around the tanks area and injection well with soil provided from the existing gravel/caliche pit located in the same section-per approval from Mrs. Richardson.

5-Mr. Wilson would object very much to any controlled access into the area including locked gates, locked access bars and electronic controlled card gates.

6-Mr. Wilson had no concerns about the above ground pipeline from the fluid delivery tanks to the injection well head. The poly pipe has been on the surface since 1988 and has had no leaks nor spills.

7-Mr. Wilson reported that a flow meter would be installed in the pipeline from the new tanks to monitor the amount of fluids being injected. No samples of the fluids are required to be taken prior to the injection process.

8-Fluids from several producers and locations will be delivered to the delivery tanks for injection into the said well with the control of the tanks, pumping equipment, pipeline and downhole well casing and well bore being the responsibility of Mesquite SWD.

COPY

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

April 10,1997

RECEIVED
APR 1 4 1997
McCORMICK, CARAWAY, TABOR & MADRID

Mr. John M. Caraway , Attorney at Law
McCormic,Caraway, Tabor and Madrid
P.O. Box 1718
Carlsbad, New Mexico 88221-1718

Mr. Caraway;

First, I would like to thank you for the information provided in your letter of April 8,1997 relating to an existing well located in Unit "K", 1980FSL and 1980FWL of Section 5, Township 14 South, Range 36 East, NMPM known as the **Richardson Fee#2 well.**

As I had stated in my previous letters to Mr. Clay Wilson of Mesquite SWD, the Co-Representatives of the Estate of Myrtle Dovie Richardson have ask me to assist in the reconstruction of certain matters of financial and general estate interest concerning both the surface rights as well as the mineral rights related to Sections 5 and 6, Township 14 South, Range 36 East,NMPM. The records located to date concerning the matters involving the Richardson Fee #2 well are extremely limited and very incomplete, thus the information you provided was of benefit and very much appreciated, however no copies of any documents were enclosed. A document previously provided to me by Mr. Wilson was an extremely vague document noted as "DISPOSAL CONTRACT " with no times of execution nor limits of contract times, nor descriptions of legal rights or services provided by either party, nor descriptions of liabilities, nor accounting principals of contract regarding amounts of fluids involved, nor description of access rights for any types of services,etc. I am sure that your firm must have a more detail and formal document signed by all parties for review and submittal to the council involved . At your earliest convenience, please provide a copy of the formal and legal contract.

As to access into and around the Richardson Fee #2 well, it is the intent of the Co-Representatives to start intensive agriculture activity in the NW 1/4, of the Section 5, wherein irrigated crops will be raised. Thus the concern about controlled access into the area. There is also a serious liability concern expressed by the current land use lease holder regarding possible theft of livestock if the area has no locked and/or controlled access. He has also expressed concern about possible harm to the livestock by spilled petroleum products either from the equipment involved in pumping the waste fluids to the Richardson fee#2 well or the surface pipeline involved in the transport of the fluids. It is reported that currently a large amount of unauthorized traffic drives into the area, thus it is recommended that a controlled access point be established wherein only those personnel having legal access into the property be allowed either keys or electronic gate cards. This matter is of utmost urgency.

Again, at this time I am only in the process of obtaining data from all sources including State and Local records, private firms such as HEYCO and others. It is the intent to as much as possible reconstruct the records and financial affairs of the late Myrtle Dovie Richardson for both accounting and legal review purposes as well as future administration by the Co-Representatives of the Estate. The information received from HEYCO in Roswell, New Mexico was is some way direct opposite to information provided by your client. The information noted in a bond received from Universal Bonding Co. B06534 appears to be a separate agreement and contract by and between Mr. Wilson and Mrs. Richardson and I am attempting to obtain copies of this agreement from all parties involved. Land use leases and agreements as well as royalty agreements are being obtained from all available sources to again attempt to submit a true documented past business structure of Myrtle Dovie Richardson to the Trust and Attorneys involved. At the moment there in no intent to interfere with any legal rights of any company or party onto the property , however the control of access into the property is of an urgent matter and must be addressed to the satisfaction of all involved.

Again my thanks for the information provided in your letter and I do look forward to receipt of a copy of the formal contract by and between Mesquite SWD,and Mrs. Myrtle Dovie Richardson that was apparently overlooked by your staff and not enclosed in your letter of April 8,1997. I also await a response and detail drawings for review of a gate structure to control access into the property.

Very truly yours

Robert C. Hull

cc- Richardson #2 Fee file\Co-Representatives Estate

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

COPY

Mr. John M. Caraway, Attorney at Law
McCormick, Caraway, Tabor and Midrid
P.O. Box 1718
Carlsbad, New Mexico 88221

April 12, 1997

Reference Richardson Fee #2 well- documents

Mr. Caraway;

This is to acknowledge receipt this date of documentation from your office personnel noted as a "DISPOSAL CONTRACT". This document is apparently that contract so noted in your letter of April 8,1997 by and between Mesquite SWD/ Clay Wilson and the late Myrtle Dovie Richardson. If a more detail and formal contract exists please provide a copy at your earliest convenience, as this document appears to be very vague in structure. Copies of this document and your letter will be submitted to the Co-Representatives and legal council of the Myrtle Dovie Richardson Estate.

For your records, Steven Yates of Harvey E. Yates Co. of Roswell, New Mexico supplied me with copies of contracts by and between HEYCO of Roswell and I & W, Inc. of Lovington, New Mexico as well as some past history of the construction and operation of the Richardson Fee#2 well by HEYCO, along with their continued areas of responsibility and concerns. This information has also been passed on the the accounting and administrating personnel of the Myrtle Dovie Richardson Estate.

Also for your records, it is my understanding that the change in surface rights ownership to a large part of Section 5, Twp. 14 S, Rng. 36 E, NMPM wherein all the Richardson Fee wells are located will occur to an individual with residence in California,who will be involved in the access control onto the land and environmental concerns as well as contract review responsibilities.

Again, my thanks to you and Mr. Wilson for your help in supply of documentation for my submittal to the Estate. If in the future you find your files contain additional information related to any additional agreements or contracts by and between Mesquite SWD, Inc. and the late Myrtle Dovie Richardson, please either submit copies to me or Mr. James Templeman, Attorney at Law in Lovington, New Mexico. If I can be of service to either of your firms please do not hesitate to call at any time

Very truly yours,

Robert C. Hull

47.149

COPY

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

RECEIVED
JUN 8 1998
McCORMICK, CARAWAY, TABOR & MADRID

Mr. John Caraway,
McCormick, Caraway, Tabor and Madrid, L.L.P.
Bujac Building, 112 North Canyon
P.O. Box 1718
Carlsbad, New Mexico 88221-1718

June 5, 1998

Reference; Mesquite SWD
Richardson Fee #2 – Lea County, New Mexico

This is being written at the direction and in the interest of the Co-Representatives of the Myrtle Dovie Richardson Estate % Sammy Ann Hull of 5048-Orchard Court, Golden,Colorado 80403 and Nelda Fay Key of 4115 F Butte House Road, Yuba City, California 95993

The late Myrtle Dovie Richardson affairs have been settled by way of Lea County Probate Court. All items involved are now directly the responsibility of the Co-Representatives of the Myrtle Dovie Richardson Estate and include all items involved with the real estate and minerals related with the lands in Lea County, New Mexico.

As your files will indicate, by numerous letters from the writer, Mesquite SWD of Carlsbad, New Mexico claims to have access rights onto and across certain lands in the NW1/4 of Section 5, Township 14 South, Range 36 East NMPM as related to the use of the Richardson Fee #2, salt water injection well. At this time it is the desire of the Co-Representatives of the M.D. Richardson Estate to attempt to acquire a valid contract from Mesquite SWD, for the right of way use of the lands involved with the injection of fluids into the said Richardson Fee well #2 including a royalty for payment of the exact amount of fluid injected into the said well.

Please review your file data with Mesquite SWD and prepare a contract for consideration. I would assume that contract will have clauses for renewal each year with escalating terms for the right of way and royalty use, plus terms holding the M.D Richardson Estate harmless for any and all liability exposure related to the transportation and injection of fluids into and any operation of the said Richardson Fee #2 well. Since the Mesquite SWD is operating without a contract, I would assume there would be an interest in the securing of a legal contract as soon as possible in order to prevent the closure of access onto the property.

Very truly yours,

Robert C. Hull

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

October 20, 1997

COPY

John M. Caraway, Esq.
Attorney at Law
McCormick, Caraway, Tabor and Madrid, L.L.P.
P.O. Box 1718
Carlsbad,New Mexico 88221-1718

Ref; Richardson Fee #2 SWD Well, Mesquite SWD

This is to acknowledge receipt and thank you for your letter of October 16, 1997 concerning the damage to lands located within the NW 1/4 of Section 5, Township 14 South, Range 36 East, Lea County, New Mexico. The information has been transmitted to Nelda and Ron Key of Yuba City, California, Sammy Hull of Denver and Steve Stroud of Tatum, New Mexico. I will submit their response to you as soon as it is received by this office.

I do believe all matters regarding the ROW, access and injection of fluids into the above referenced SWD well can be handled without legal action if we can simply determine the requirements of a contract structure by both parties. My clients would like to have a simple contract regarding the ROW and land use as well as maintenance of the above ground pipeline and roadways by and between Mesquite SWD and Ron and Nelda Key. The fluids injected into the said SWD well must have a separate contract made under the names and agreements of the Co-Representatives of the Myrtle Dovie Richardson Estate, with a simple payment structure based on bbl/day metered and injected salt water, plus a clause as to release of any liability exposure and testing of both the fluids as well as the integrity of the well as to prevention of possible damage to the water supply aquifers nearby. All contracts must have language as to assignment of benefits, year/year review, payment structures, certificates of insurance, legal ownership and officers involved with the Mesquite SWD and bonding for any and all possible past,present and future damages to the environment. Please consult your client and start the process of presentation of simple contracts for review.

I will be in Santa Fe at the Office of the Attorney General and State Engineers until October 23,1997. Please feel free to contact me at 303-279-5554 or FAX at 303-892-1924 at any time after that date.

Very truly Yours

Robert C. Hull

COPY

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

RECEIVED
NOV 4 1997
McCORMICK, CARAWAY, TABOR & MADRID

October 31, 1997

Mr. John Caraway, Attorney at Law
Bujac Building, 112 North Canyon
P.O. Box 1718
Carlsbad,New Mexico 88221

Mr. Caraway;

With reference to the matter of the Richardson Fee#2 SWD well in Lea County New Mexico and Mesquite SWD, Inc., please be advised of the following;

I have had the opportunity to discuss our telephone conversation held on October 28, 1997 wherein we reviewed certain matters regarding the above referenced, with the owners of the West 1/2 Section 5, Township 14 South, Range 36 East,NMPM and Co-Representatives of the Myrtle Dovie Richardson Estate. I have also had the opportunity to review and discuss your letter of October 27, 1997 with supplied document noted as Assignment and Bill of Sale.

The owners of the lands in the NW 1/4, Section 5, Township 14 South, Range 36 East, NMPM being Ron and Nelda Key of Yuba City,California advised me to inform you that the offer presented in your letter of October 16, 1997 regarding payment of $500.00 by Mesquite SWD for intentional and permanent damage to the lands and environment caused by the trucking units operated under the direction of or for the benefit of Mesquite SWD was not acceptable. Since the lands involved are noted as part of the irrigated agriculture lands of the Richardson farm property and it was the intent to place the lands into a irrigated hay operation for financial benefits of both the land owner as well as the surface rights lease holder during the 1998 planting and cultivation season, there will now be considerable additional costs to attempt to recover the cultivated lands lost through the acts of Mesquite SWD. There will be much more equipment and labor time involved to get the lands back into proper cultivation and production and loss of revenue can be expected. From cost estimates received the additional costs may exceed $5000.00 and the owners of the lands will hold Mesquite SWD responsible for any and all costs including any possible current and future loss of revenue from both livestock production as well as any crop production. Any reply to this matter may be directed to Ron or Nelda Key in Yuba City,California.

During the discussion with the parties involved it was noted that in no way has Mesquite SWD made any written or verbal attempt to communicate with either Ron or Nelda Key concerning the damage caused to their lands. The only way they found out about this serious matter was through conversation with the surface use lease holder. Again the credibility of Mesquite SWD is of question.

I have had the opportunity to review the documents provided with your letter of October 27, 1997 and discussed the contents with the Co-Representatives of the Richardson Estate and note the following; The document noted as Assignment and Bill of Sale apparently by and between I & W, Inc and Mesquite SWD, Inc. re; assignment of rights, title and ownership interest in the Richardson Fee#2 SWD etc. was dated as being a contract as of April 23, 1997. With reference to the vague document noted as "DISPOSAL CONTRACT" signed by Myrtle Dovie Richardson and a Clay Wilson who apparently represented himself at that time as being the owner of the said Richardson Fee#2 SWD was dated as being signed on October 2,1996. Since it is apparent from the Assignment and Bill of Sale document dated April 23, 1997- Mr. Wilson provided false statements to Mrs. Richardson in order to get her to sign the vague document some 7 months prior to any formal ownership of the Richardson Fee#2 SWD well existed. Again it is the opinion of the Richardson Estate that Mesquite SWD has been trespassing on their lands for several months and has no right of egress what-so-ever. Thus the entrance onto the property can be closed to Mesquite SWD/ Clay Wilson at any time and the right would be confirmed in any court of law.

In addition, the Assignment and Bill of Sale dated April 23, 1997; so stated and references that "THIS ASSIGNMENT AND BILL OF SALE is subject to the terms and conditions of an unrecorded Agreement, dated September 26, 1990, by and between HARVEY E. YATES AND I&W TRANSPORTATION, INC.,pertaining to the Richardson Fee#2 SWD well only, and shall be binding upon the parties, and their heirs, successors and assigns."--please note that the Sept. 26, 1990 document, par. 5 states that Heyco warrants that it has an agreement with Myrtle Dovie Richardson and that I & W will assume and be responsible to Myrtle Dovie Richardson for any surface damage which may be caused by I & W, its employees, agents or invitees, which may occur in connection with the disposal operation--par.6 stated the SWD well referred to in paragraph 2 shall be used solely for salt water disposal operations.

As I stated to you during our telephone conversation, it appears that Mesquite SWD/Clay Wilson has done considerable amount of credibility damage toward any business relationship with the Richardson family by his attempt to secure the ownership of Mrs. Richardsons interest in the Richardson Fee #1 per statements in par. two of PERFORMANCE BOND B06534. His securing her signature on the vague document noted as"DISPOSAL CONTRACT' by apparently giving her false information, during a time period just prior to her death when she was very ill. His failure to make any payments what-so-ever during an extended time period causing her much concern and expense as she attempetd to contact him for an explanation. Now his firm has caused serious and permanent damage to the lands involved with the Richardson family. The reported injection of hazardous fluids into the said Richardson Fee#2 SWD well. All these action appear to the Richardson family to be criminal in intent and action.

AS I stated in my letter of October 29, 1997, and approved by discussion with the Co-Representatives of the Myrtle Dovie Richardson Estate, access into the Section 5, Township 14 South, Range 36 East, NMPM, Lea County, New Mexico will be allowed to Mesquite SWD/Clay Wilson for a 30 day time period starting October 29, 1997 through November 29, 1997. This time period is established in good faith to allow you time to prepare and present separate contracts for review, consideration, correction, rejection/or approval by the Co-Representatives of the Myrtle Dovie Richardson Estate concerning;

A; The matter of damages to the lands

B; ROW and access into and maintenance of the roadways and lands involved with the injection of salt water fluids only into the Richardson Fee#2 SWD well

C; Rates, measurements, testing and payment structures for fluids injected intothe said well

If there are any questions or comments please do not hesitate to contact either the writer at the above address or Sammy Ann Hull at 303-825-3586 or Nelda Faye Key at 916-674-3419.

Very truly yours

Robert C. Hull

cc; Key- Hull-Stroud

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

COPY

October 20, 1997

John M Caraway, Esq.
Attorney at Law
McCormick, Caraway, Tabor and Madrid, L.L.P.
P.O. Box 1718
Carlsbad,New Mexico 88221-1718

Ref; Richardson Fee #2 SWD Well, Mesquite SWD

This is to acknowledge receipt and thank you for your letter of October 16, 1997 concerning the damage to lands located within the NW 1/4 of Section 5, Township 14 South, Range 36 East, Lea County, New Mexico. The information has been transmitted to Nelda and Ron Key of Yuba City, California, Sammy Hull of Denver and Steve Stroud of Tatum, New Mexico. I will submit their response to you as soon as it is received by this office.

I do believe all matters regarding the ROW, access and injection of fluids into the above referenced SWD well can be handled without legal action if we can simply determine the requirements of a contract structure by both parties. My clients would like to have a simple contract regarding the ROW and land use as well as maintenance of the above ground pipeline and roadways by and between Mesquite SWD and Ron and Nelda Key. The fluids injected into the said SWD well must have a separate contract made under the names and agreements of the Co-Representatives of the Myrtle Dovie Richardson Estate, with a simple payment structure based on bbl/day metered and injected salt water, plus a clause as to release of any liability exposure and testing of both the fluids as well as the integrity of the well as to prevention of possible damage to the water supply aquifers nearby. All contracts must have language as to assignment of benefits, year/year review, payment structures, certificates of insurance, legal ownership and officers involved with the Mesquite SWD and bonding for any and all possible past,present and future damages to the environment. Please consult your client and start the process of presentation of simple contracts for review.

I will be in Santa Fe at the Office of the Attorney General and State Engineers until October 23,1997. Please feel free to contact me at 303-279-5554 or FAX at 303-892-1924 at any time after that date.

Very truly yours

Robert C. Hull

Robert C. Hull
5046 Orchard Court
Golden, Colorado 80403

FAX: TO
505-885-3311
6:25PM - 3-28-97
pct

March 28, 1997

COPY

Mr. Clay Wilson
Mesquite SWD
P O. Box 481
Carlsbad, New Mexico 88211

Reference; Telephone conversation of this date concerning the salt water injection well - Richardson fee #2 and contracts involved

Attached please find a copy of my notes taken per our telephone conversation of this date regarding Mesquite SWD and the use of the Richardson Fee Well #2 located 1980FSL and 1980 FWL of sec. 5, Twp. 14 S Rng. 36 E- NMPM. These notes reflect information that was exchanged during that conversation. Please review for any corrections, comments or additions- your corrections and comments will be so noted and submitted to the Trustees of the Myrtle Dovie Richardson Estate along with my original notes.

I also acknowledge receipt from you by way of FAX of a document dated October 2nd, 1996 between Clay Wilson and Myrtle Dovie Richardson re. permit to allow use of the above referenced disposal well. Since this document is extremely vague and without contract time limits, liability releases, injection fluid data, surface rights and ROW data etc., I must assume that other contract documents by and between Mrs. Richardson and Mesquite SWD are involved and as you stated " at your attorneys office". Since the trustees of the estate will now be involved with review and acknowledgment of the performance of the terms and conditions of any valid contract, I would appreciate you presenting copies of the formal contract either by way of FAX to 303-892-1924 or by mail to the above address. The formal contract will be reviewed and noted as part of the assets of the said estate to be administered by the trustees or their designated attorney or individual.

I look forward to your reply and receipt of the contract.

Very truly yours

Robert C. Hull

Robert C. Hull
CC; Richardson fee well #2 file

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

COPY

March 29,1997

To; Trustees- Myrtle Dovie Richardson Estate
From: Robert C Hull
Subject; Mesquite SWD/Richardson fee well #2-

This is an addendum to the report dated March 28,1997 related to the above and regarding a telephone conversation this date with Mr. Clay Wilson of Mesquite SWD,Inc. of Carlsbad,New Mexico and the writer.

Mr. Wilson was supplied with a copy of the said letter/report of March 28,1997- submitted by FAX to 505-885-3311 for his comments and corrections . By way of telephone Mr. Wilson stated that the only formal agreement by and between Mesquite SWD Inc. and Clay Wilson of Carlsbad, New Mexico and Mrs. Dovie Richardson was that document dated October 2,1996 noted as Disposal Contract. Mr. Wilson stated that he has paid Mrs. Richardson $200.00 per month since October 2,1996. The additional royalty of 1 cent per barrell of injected fluid was noted and apparently no payments on the royalty has occured. For accounting it appears that there was income from the Richardson #2 fee well from Mesquite SWD, Inc. from October of 1996 and some extremely limited income may or may not be available in the future.

Mr Wilson reported that there were rules regarding the use of injection wells in New Mexico.

Mr. Wilson reported that any agreements for fluid injections between Richardson and HEYCO related to Richardson #2 Fee well, had been sold to I and W, Inc. of Locohills, N.M. and thence has been purchased by Mesquite SWD,Inc. of Carlsbad,N.M. Attached please find a copy of the original injection agreement between HEYCO and Richardson along with a letter of explanation.

With reference to the document submitted for review noted as Bond number B06534;-as it appears on page 1, par 2, - that this relates to a signed agreement by and between Mr. Clay Wilson/Mesquite SWD, Inc.and others, and Myrtle Richardson of Lovington,N.M. for the assignment of the oil and gas leases by Mrs. Richardson to Mr. Wilson, and to all lease rights and obligations including facilities equipment,pipelines and personal property existing on the lease covering the Richardson Fee #1 well in Sec. 5, Twp. 14 S, Rng. 36 E, NMPM . located 1980'FSL and 980FWL in Lea County,New Mexico. This appears to be a seperate completed sales agreement between Mrs. Richardson and Mr. Wilson as there are two seperate wells involved in two locations and regarding two seperate operational items.
(Attached; copy of Disposal Contract; letter HEYCO;
Please advise for further discussion or review-if necessary

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

MAR 24 1997

COPY

March 21,1997

I & W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

This is being written at the direction and for the benefit of the Trustees of the Estate of Dovie M. Richardson and concerns certain enviromental issues , existing roadways and access into property located in Sec. 5 and 6, Twp. 14 S.,Rng. 36 E, NMPM, Lea County, New Mexico.

Research of the records in Lea County New Mexico indicate your firm has an interest in certain petroleum production located in the above described area. Please be advised that as of approximately April 14, 1997 limited access will be in force into any area in those above described sections of land. Locked gates will be installed on certain existing roadways, other roadways and existing access routes will be closed from any and all ingress and returned to pasture and/or farming operations. Any existing petroleum production operations should be fenced to the limit of the immediate area of equipment and no operations or use of equipment exceeded beyond those bounds provided in any surface access contracts that are in existance. Any petroleum products noted spilled on the surface of the lands around the wells must be cleaned up to the satisfaction of all enviromental laws and concerns of the Trustees of the Richardson Estate. Any existing contracts for any purpose of access and production and operation should be provided to the Trustees for review. Farming activity will be started for the production of irrigated crops around certain petroleum production facilities in Sec. 5, Twp. 14 S, Rng. 36 E., NMPM within the next 30 days that may cause serious access problems to the existing petroleum production sites.

Access for any activity to the Richardson Fee Well #2 (salt water disposal well) located 1980FSL and 1980FWL of Sec. 5, Twp. 14 S, Rng. 36 E, NMPM may not be allowed as no contract can be located for any use of the well or ROW to the well can be found, thus all roadways would be removed and returned to native pasture. Any existing pipe to the site from remote locations must be removed and the existing petroleum products noted spilled on the surface of the lands should be cleaned to the satisfaction of all enviromental concerns by the Trustees and others.

I await your reply.

Very truly yours

Robert C. Hull

CC- Trustees

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

COPY

Mesquite SWD
Mr. Clay Wilson
P.O. Box 481
Carlsbad, New Mexico 88211

Oct. 20, 1997

Ref; Richardson Fee #2 SWD well/ROW

I have again been ask to contact you regarding the ROW, above ground pipeline and disposal of fluids into the above referenced well.

As past letters have indicated the surface lands of the W 1/2 of Section 5, Township 14 South, Range 36 East, NMPM now belong to Ron and Nelda Key of Yuba City,California. Any ROW issues, use of the lands and/or access into or from the lands are subject to their control and interest. The surface rights within the area have been leased for production of livestock and agriculture products with the goal of returning certain lands back into irrigated crop production. It has come to the attention of Mr. and Mrs. Key that your firm,now operating without benefit of any ROW or access agreement, has caused serious and permanent damage to the lands in the NW 1/4 of the said Section 5. Township 14 South, Range 36 East, NMPM, Lea County, New Mexico. By way of review it is apparent that your firm has no legal ROW for use of the lands involved with the above ground pipe line that extends from the surface storage tanks to the injection point of the Richardson Fee well #2, nor do you have any rights to cause permanent damage to the lands in the NW 1/4 of the said Section 5. There is at this time no agreement by and between the land owner,Co-Representatives of the Myrtle Dovie Richardson Estate and your firm for the payment of fluids injected into the Richardson Fee #2 SWD well. At this time certain urgent concerns exist as to the possible damage that has occurred to the lands as well as the potential for damage to the underground water supply that exists and is utilized to supply irrigation water to certain lands in Sections 5 and 6 of Township 14 South, Range 36 East, NMPM. Lea County,New Mexico.

I have ask by way of letters, that you contact either the writer, Mr. or Mrs., Key in Yuba City, California or Sammy Hull at DENPUMPCO in Denver,Colorado to establish a time of convenience for all parties to review the terms and contract language of a contract that might allow your firm to have a ROW onto the property and inject certain salt water fluids into the said Richardson Fee well #2 SWD. At this time you have made no written reply nor offer of contract terms, thus the owners have elected to close off all access into Section 5, Township 14 South, Range 36 East, NMPM, Lea County, New Mexico except to those parties involved with the maintenance of the Richardson Fee Wells #1 and 3, this being HEYCO of Roswell, New Mexico.

Very truly yours

Robert C. Hull

CC; Key---HEYCO----Steve Stroud

Robert C. Hull
5048 Orchard Court
Golden, Colorado 80403

October 20,1997

COPY

Mr. Steven M. Yates, Vice President
Harvey E. Yates Company (HEYCO)
One Sunwest Centre
P.O. Box 1933
Roswell, New Mexico 88202

Ref.; Richardson Fee #2-Lea County New Mexico

Mr. Yates;

With regard to the above referenced SWD well owned by your firm and an apparent current contract by and between a firm known as Mesquite SWD/Clay Wilson of Carlsbad, New Mexico and your firm for the disposal of salt water into the said well, I have been ask by the Co-Representatives of the Myrtle Dovie Richardson Estate to advise you of certain facts and proposed ROW factors concerning ingress and egress into and around the NW 1/4 Section 5, Township 14 South Range 36 East, Lea County New Mexico.

First, all the surface ownership with all rights, title and interests of the West 1/2 of Section 5, Township 14 South, Range 36 East, Lea County New Mexico now belongs to Ron and Nelda Faye Key of Yuba City, California. Thus any and all ROW agreements must be under contract with them. Any and all contracts related to any fluids injected into the Richardson Fee #2 SWD must be considered and approved by the Co-Representatives of the Myrtle Dovie Richardson Estate. The surface rights of the property as described have been leased for agriculture purposes being the production of livestock and returning certain acres back into irrigated farmlands as per the water rights noted by the State of New Mexico. It is my understanding that an agreement now exists by and between Mesquite SWD and your firm for the ROW and use of the said Richardson Fee #2 SWD well as a salt water disposal well only, this contract may be a continued sub-contract to a contract noted by and between your firm and I & W Transportation, Inc. dated Sept. 26, 1990. Please also be advised that upon the death of Myrtle Dovie Richardson in March of 1997, all contracts, being either verbal or written became subject to review unless certain contract language existed within the said contract regarding assignment of the contract benefits to any heirs, assignee, or assign or so directed by a Last Will.

I have attempted to express these matters to Mesquite SWD without success. I recently, have been advised that Mesquite SWD has caused serious and permanent damage to the surface lands in the NW 1/4 of said Section 5, by driving large trucks outside the existing roadways constructed and utilized by your firm for the normal maintenance of the Richardson Fee Wells #1 and #3.

Since Mesquite SWD has no contract agreement what-so-ever with the surface land owner nor the Co-Representatives of the Myrtle Dovie Richardson Estate, and Mesquite SWD has caused serious damage to the lands outside the ROW established by your firm, and I have made several attempts, without success, to obtain written reply to my request to contact any party involved with the said wells to attempt to review the ROW issue as well as the control of fluids being injected into the Richardson Fee #2 SWD well and damage has occurred to the profit potential of the land lease holder, we by way of this letter give notice that unless all factors involved are solved to the satisfaction of the surface land owners and the Co-Representatives of the said estate, access into the property will be limited by a magnetic key card locked gate with an access key being given only to your firm. We note that this may be an inconvenience for your firm, however due to the lack of response by Mesquite SWD, we feel this is a necessary control item for the benefit of the land owner and the land lease holder. At this time we have contacted magnetic card gate installation contractors with the goal of having the gate in place within the next 30 to 45 days.

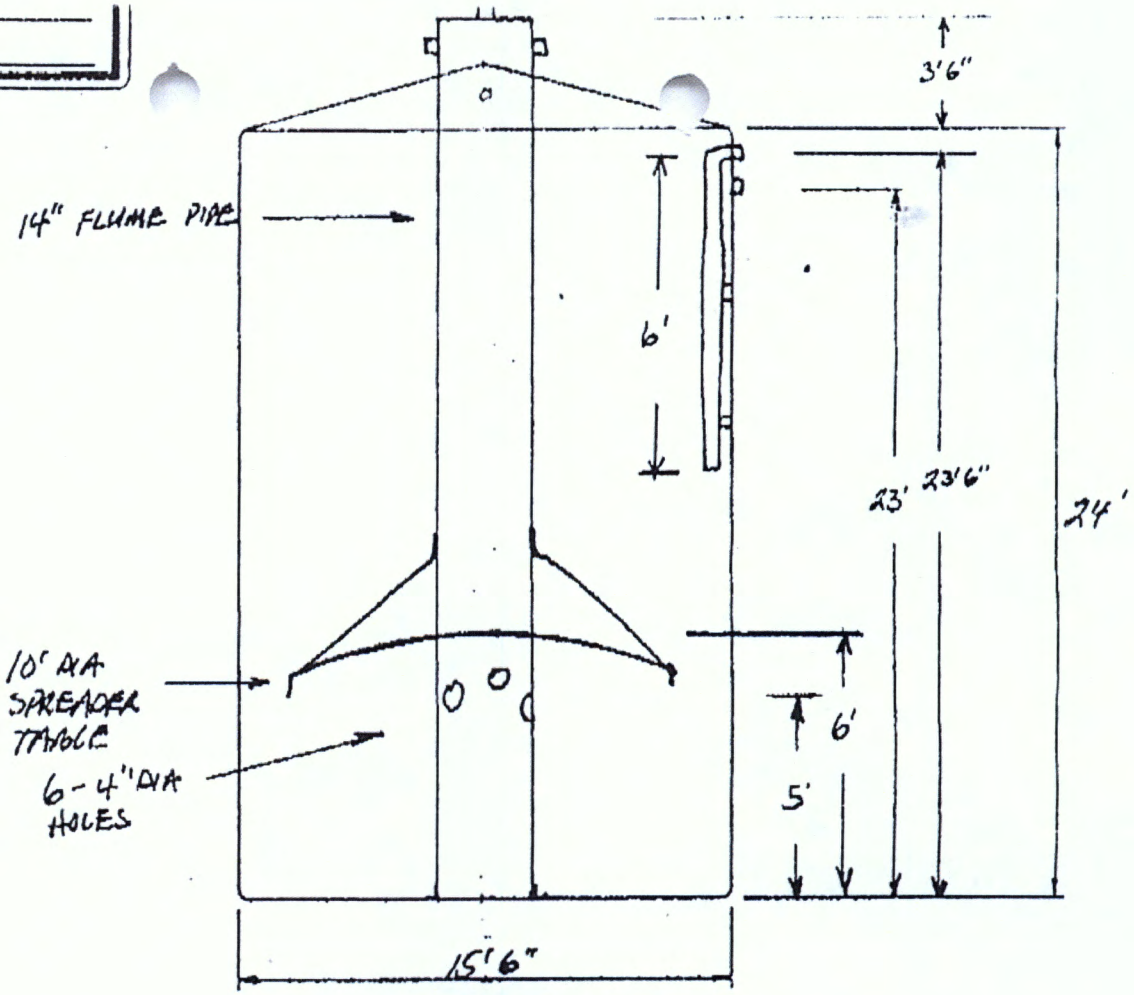
If there are any comments please do not hesitate to contact either the writer or Mr. or Mrs. Key at Key and Associates, in Yuba City, California, or Sammy Hull at DENPUMPCO in Denver,Colorado.

Very truly yours

Robert C. Hull
CC; Mesquite SWD
Steven Stroud
Co-Representatives/ Myrtle Dovie Richardson Estate

SERIAL NO.:

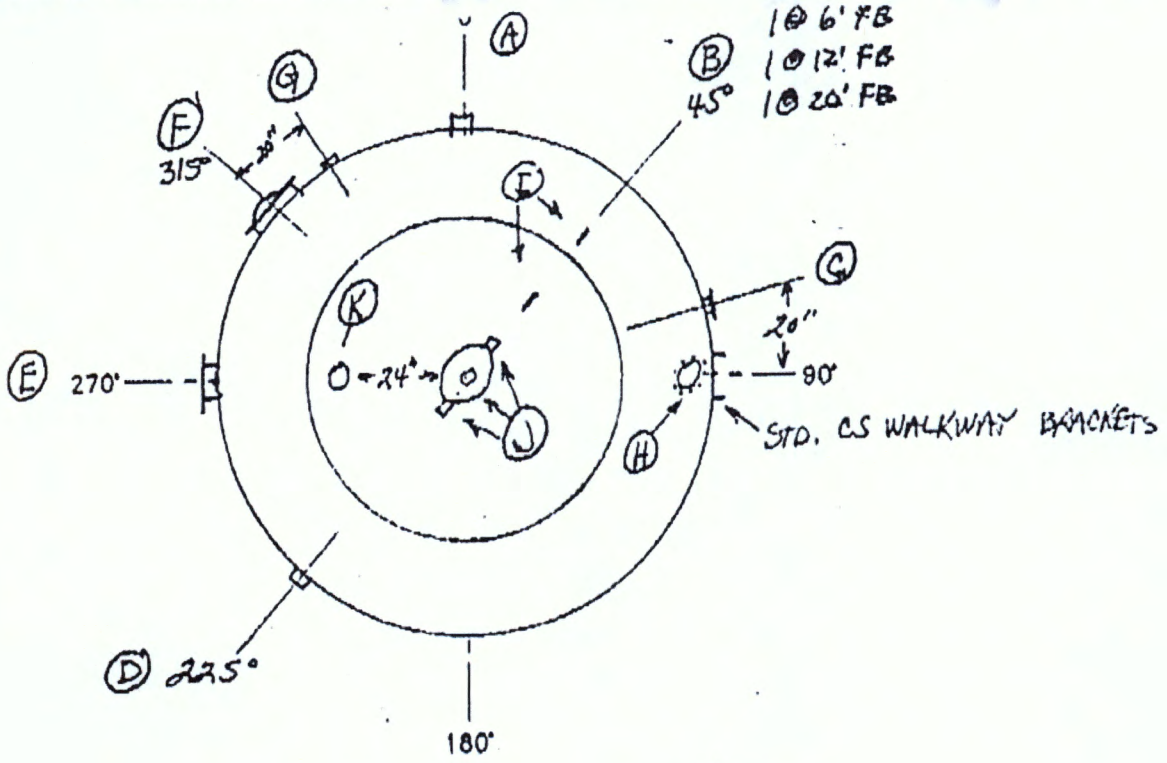
TANK COLOR:



ELEVATION VIEW

SERIAL NUMBER	
YEAR BUILT	1997
OWNER'S NAME	MESQUITE SWD
SIZE	15'6" DIA X 24' TALL
CHEMICAL ENVIRONMENT SERVICE	PRODUCED WATER & OIL
DESIGN PRESSURE IN PSIG	4 OZ
DESIGN VACUUM	.4 OZ
TEMPERATURE IN °F.	150
SPECIFIC GRAVITY	1.0
RESINS USED IN CONSTRUCTION	ISOPHTHALIC
TANK CAPACITY IN GALLONS/BARRELS	750 BBL
INNER REINFORCEMENTS	E-GLASS
SEISMIC ZONE AND CODE	ZERO
CONSTRUCTION CODES	

PALMER OF TEXAS
ANDREWS, TX. 1-800-347-4550



ORIENTATION VIEW

SCHEDULE

ITEM	QUANT.	SIZE	ELEV F/BASE	ORIENT.	DESCRIPTION	SERVICE
A	1	3"	23'	0°	GROOVED FITTING	OIL SKIM
B	3	—	AS NOTED	45°	CS WW BRACKETS	INLET PIPE SUPPORT
C	1	4"	15"	—	FLANGE	TRUCK LINE
D	1	4"	23'6"	225°	GROOVED FITTING	OVERFLOW
E	1	6"	12"	270°	FLANGE W/CINCAL GUSSET	WATER LEG OUTLET
F	1	24"	24"	315°	MANWAY W/COVER	
G	1	4"	CTB	—	GROOVED FITTING	DRAIN
H	1	8"	DECK	90°	LL-10	THIEF HATCH
I	2	—	DECK	45°	CS WW BRACKETS	INLET PIPE SUPPORT
J	3	4"	DECK	—	GROOVED FITTING	GAS VENT #1 MED ON GAS FLOAT
K	1	4"	DECK	270°	GROOVED FITTING	VENT

TOLERANCES
DIAMETER AND HEIGHT
+/- 1/2"
NG ORIENTATION
+/- 1/2°
NG ELEVATION
+/- 1/8"
OTHER DIMENSIONS
+/- 1/4"
ALL THICKNESSES ARE
MINIMUMS
UNLESS OTHERWISE NOTED

PALMER OF TEXAS

REVISIONS

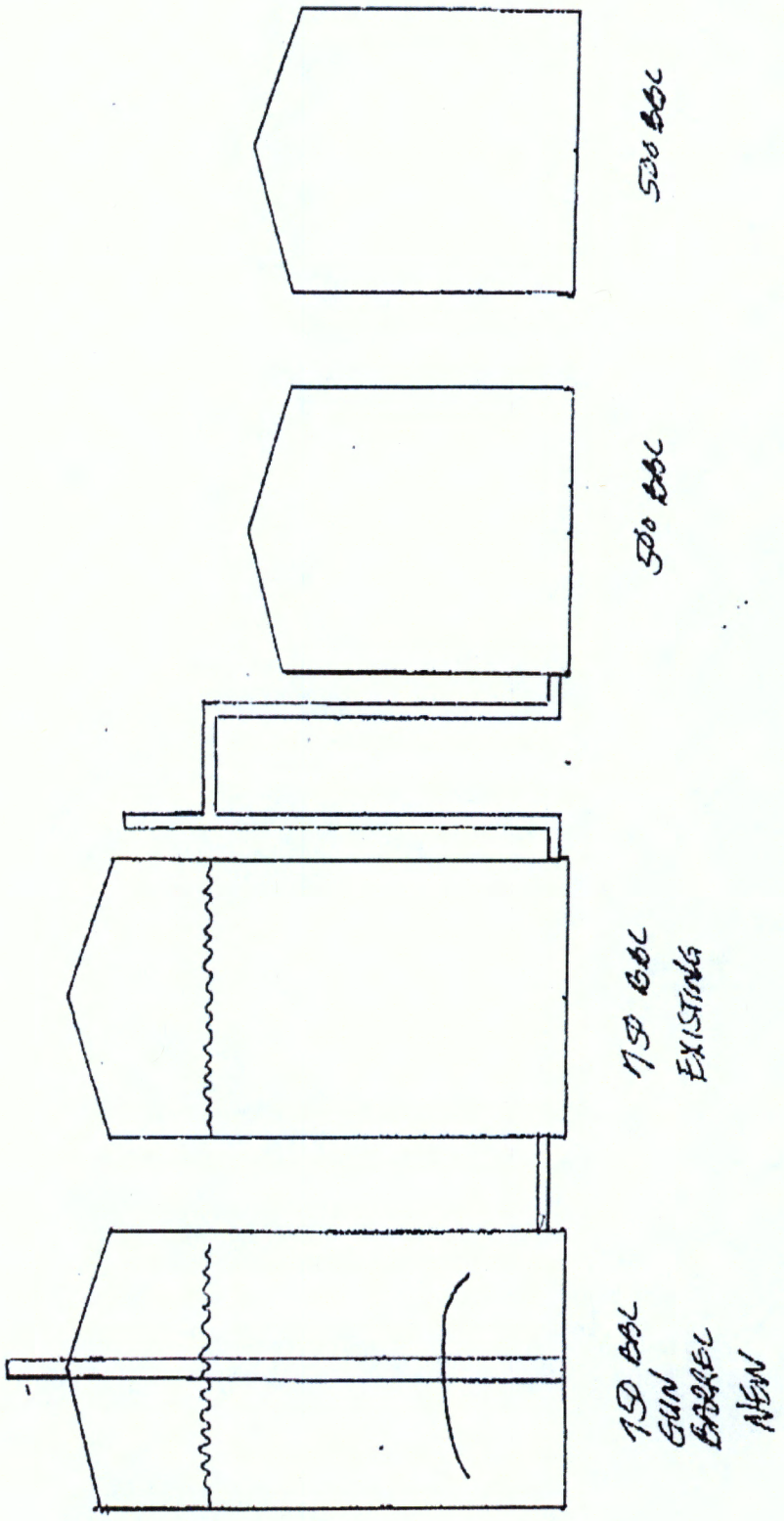
NO.	DATE	DRAWN	CHK'D

PALMER OF TEXAS
P.O. BOX 1069
ANDREWS, TX 79714

SCALE: NONE
DATE: 2-27-97
APPROVED BY:
DRAWN BY: KS

STANDARD API TANK WITH FITTINGS

CUSTOMER: MESQUITE SWD
SHEET NO. 1 OF 1
DRAWING NO. API--BLANK


530 BSC
510 BSC
150 BSC
EXISTING
150 BSC
GUN
BARREL
NEW

COPY

Salt Water Disposal Agreement

This Salt Water Disposal Agreement (this "**Agreement**") is entered into between the parties identified in Section 1.0 to be effective as of June 1, 2008 (the "Effective Date").

1.0 Parties

1.1 Ronald C. and Nelda Key ("**Lessor**")
4115-F Butte House Road
Yuba City, CA 95993

1.2 DKD, LLC ("**Lessee**")
P.O. Box 682
Tatum, New Mexico 88267

2.0 Recitals

2.1 The Richardson Fee No.2 SWD Well (the "**SWD Well**") is located on the following 320 acre tract of land (the "**Premises**") which is owned by Lessor:

The West 1/2 of Section 5, Township 14 South, Range 36 East, NMPM, Lea County, New Mexico

2.2 Lessee injects produced water into the SWD Well in conjunction with its commercial water disposal business which is conducted at the Premises (the "**SWD Business**") and has done so since March, 2005. Attached hereto as Schedule 2.2 is a listing of the total barrels of salt water disposed of by Lessee at the SWD Well.

2.3 In the conduct of the SWD Business, the Lessee:

a. transports water onto the Leased Premises and injects the water into the SWD Well pursuant to NMOCD Order No. SWD-262 dated July 26,1983 and in accordance with all applicable state, federal and local rules and regulations.

b. maintains and utilizes storage tanks (the "**Tank Battery**") to receive and store the water which is transported by trucks onto the Leased Premises for disposal. The Tank Battery is located at the site of the Richardson Fee #1 Well.

c. transports the water from the Tank Battery, to the SWD Well (approximately 1 mile) with a 3" polyline located on the surface along the existing road (the "**Polyline**").

d. maintains a good caliche road for the trucks to use from the entrance on the North side of the Premises to the Tank Battery (the "**Truck Road**").

e. maintains and uses an unimproved ranch road from the Truck Road to the SWD Well (the "**SWD Well Road**").

f. files monthly reports with the New Mexico Oil Conversation Division on Form C-115 on the volumes of water disposed of or injected in the SWD Well.

2.4 Certain disputes between Lessor and Lessee as to whether Lessee has been operating the SWD Business pursuant to a valid lease and the terms and provisions of the disputed lease are resolved and settled by the execution of this Agreement.

3.0 **Agreement**

3.1 **Amends and Replaces**: This Agreement amends and replaces all prior agreements and leases between the Parties with regard to the conduct of the SWD Business on the Premises.

3.2 **The Leased Premises**: For the term of this lease and solely for the purpose of conducting the SWD Business, Lessor hereby grants unto Lessee the sole and exclusive right to use (i) the portion of the Premises, (in the form of a square with 60' sides) surrounding the wellbore for the SWD Well along with such additional non-exclusive easement to use such area as may be reasonably necessary for temporary repairs and the installation of workover rig "deadmen" tie-downs (ii) the SWD Well, and (iii) the portion of the Premises which consists of that area currently being used for the Tank Battery as designated on that attached Exhibit "A", along with a 50' fire-guard area located on the south and west boundaries of the designated area (collectively the "Leased Premises") including ingress, egress and access to the SWD Well and Tank Battery. Lessor also grants unto Lessee a non-exclusive easement and right to (i) use the Truck Road and the SWD Well Road in the conduct of the Disposal Business and (ii) lay the Polyline (and any replacement) along the Truck Road and the SWD Well Road as presently located.

Lessee, at its expense, shall have the right to install, repair and maintain upon the Leased Premises, water storage tanks, pumps, machinery and equipment as is reasonably necessary to conduct the SWD Business in accordance with the terms and provisions of this Agreement.

The easement and right of ingress and egress granted to Lessee includes the right to lay a water pipeline adjacent to the Truck Road and the SWD Well Road as presently located and all rights necessary for the purpose of construction, operation and maintenance of those lines. All easements for water pipelines shall be only 15 feet in width, except for additional widths that may be temporarily needed for construction, repair and removal of such lines.

This Agreement is subject to all effective covenants, conditions, restrictions, mineral reservations, oil, gas and mineral leases, rights-of-way and easements of record in the records of the County Clerk of Lea County, New Mexico, and all of those visible or apparent upon the ground.

Nothing herein contained shall be construed to effect, alter or impair the right, title and interest of the mineral estate owners with respect to oil, gas and other minerals in, on, under and that may be produced from the Premises.

3.3 **Purpose**: The Leased Premises may be used only for the disposal of water by use of the SWD Well below all fresh water strata and only into such formations as may be approved by the Department of Energy, Minerals and Natural Resources of New Mexico or other local, state, or federal governmental agency having jurisdiction over the SWD Business.

3.4 **Maximize Benefits**: Lessee agrees to use all reasonable efforts within Lessee's ability to maximize the economic benefits under this Agreement for both Lessor and Lessee.

3.5 **Term**: The term of this Agreement commences on the Effective Date and continues until the earliest of termination without cause under the provisions of Section 3.6, or termination by reason of default, or the inability of Lessee to utilize the SWD well due to substantial material mechanical failure of the well or geologic reasons.

3.6 **Termination Without Cause**: This Agreement may not be terminated without cause prior to midnight December 31, 2013.

This agreement may be terminated without cause as of midnight December 31,2013 or the last day of any month thereafter by either party by giving six (6) months prior written notice of such termination to the other party.

3.7 **Injection Royalty**:

(A) **Amount of Royalty**: During the continuation of this Agreement, in consideration of the SWD Business conducted by Lessee at the Premises, the Lessee shall pay an injection royalty to Lessor as follows:

(i.) **Water Disposed of Prior to June 1,2008**: Upon execution of this Agreement, Lessee shall pay Lessor $20,000 cash. This payment represents payment in full of the injection royalty due for conducting the SWD Business on the Premises prior to June 1,2008.

(ii.) **Water Disposed of June 1, 2008 through March 31, 2011**: The injection royalty for water disposed of from June 1, 2008 through March 31, 2011 under this Agreement shall be calculated and paid monthly in an amount equal to the greater of (i) $1,000.00 or (ii)

month following the month during which the water was disposed of or injected in the SWD Well shall accrue interest at the rate of 10% per annum from the date payment was due until paid.

Each payment (including the payment due upon the execution of this Agreement for water disposed of from June 1, 2008 through March 31, 2009) shall be accompanied by the monthly report filed by Lessee with the New Mexico Oil Conservation Division on Form C-115 which reflects the total volume of water disposed of during the month for which the injection royalty is being tendered.

(C) **Examination of Books**: Lessor and its agents shall have the right, at its sole cost and expense, to examine and audit, at reasonable times, the books and records of Lessee associated with and directly relating to the SWD Business, the Retail Price and/or the volumes of water injected into the SWD Well referenced above. All audits shall take place at Lessee's offices at the address set out above during regular business hours or such other location where the records are kept.

(D) **Surface Damages:** In addition to the normal damages of whatever nature incurred on the Leased Premises for which the injection royalty is paid, as provided above, for pipelines and associated facilities constructed after the Effective Date, Lessee shall pay Lessor the following surface damage amounts: (a) for new pipeline, electrical line, and other easements: $15 per rod; and, (b) a reasonable amount for damages to crops, livestock, surface improvements, or fresh water caused by any explosion, fire, spillage, or leakage and overflow of water, or other accident, as are agreed on by Lessor and Lessee.

3.8 **Measurement:** Injection royalty payments pursuant to Article 3.7 shall be determined based on those disposal volumes reported monthly by Lessee to the New Mexico Oil Conservation Division on Form C-115, copies of which shall be provided to Lessor monthly. Lessee shall further provide to Lessor copies of all inspections, tests and other reports done or prepared for the benefit of Lessee by any third party.

3.9 **Utilities, Taxes and Expenses:** Lessee shall pay when and as due all utility charges for the conduct of the SWD Business and shall pay all ad valorem taxes on all equipment and other property utilized in the conduct of the SWD Business when and as due. Lessee (to the exclusion of Lessor) is responsible for all expenses in the conduct of the SWD Business and the maintenance of the SWD Well, the Tank Battery, the Polyline and other equipment related thereto.

3.10 **Repair and Maintenance**: Lessee shall keep, maintain and repair the SWD Well, the Tank Battery, the Polyline and other equipment utilized in the conduct of the SWD Business in good repair. Lessee acknowledges receipt of the Leased Premises, including the SWD Well "AS IS" "WHERE IS" and "WITH ALL ITS

FAULTS". No representations or warranties, expressed or implied, are made by Lessor to Lessee as to the merchantability or suitability of the SWD Well or of the Leased Premises for the conduct of the SWD Business.

3.11 **Governmental Regulations**: Lessee shall conduct the SWD Business and shall operate and maintain the SWD Well, the Tank Battery, the Polyline and the disposal system in such manner as to protect and prevent the pollution of the surface and all fresh water strata. Lessee agrees to comply with all laws, rules, regulations and orders of all local, state and federal governmental agencies having jurisdiction over all or any part of the conduct of the SWD Business including, but not limited to, the Oil Conversation Division of the New Mexico Energy, Minerals and Natural Resources Department ("Governmental Regulations").

3.12 **Environmental**: Lessee shall conduct the SWD Business so as to avoid water spills, leaks and contaminations (collectively, "**Contamination**"). Should a Contamination occur, Lessee agrees to promptly remediate and cure the Contamination, including the removal and replacement of any contaminated soil and otherwise taking all remedial action required by Governmental Regulations to correct the Contamination and restore the Premises to as near a condition as it existed prior to the Contamination as is reasonably possible.

In connection with environmental matters, Lessee covenants and agrees to comply with all applicable laws and regulations related to environmental matters during the term of the Agreement, including any required remedial actions. Lessee further covenants and agrees that the Leased Premises will not be used for the generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as Amended, 42 U.S.C. Section 9601, et. seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act ofl986,Pub.1.No. 99-499("SARA"),the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et. seq., the Resource Conservation and Recovery Act, 49 U.S.C. Section 690 I, et. seq., or other applicable state or federal laws, rules or regulations adopted pursuant to any of the foregoing. Furthermore, Lessee covenants and agrees that it will provide Lessor with copies of all notices, filings and communications given to or received from governmental agencies related to environmental matters.

Lessee shall give immediate notice to Lessor of any violation or potential violation of the statutes, laws, rules or regulations set forth above. Lessee and Guarantor, jointly and severally, shall defend, indemnify and hold Lessor and their respective heirs, legal representatives and successors in ownership to all or any part of the Premises harmless from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses (including without limitation, attorneys' and consultants' fees, court costs and litigation expense) of whatever kind or nature, known or unknown, contingent or otherwise, arising out of or in any way related to (a) the presence, disposal, release or threatened release of any such hazardous material that is on, from or affecting the

soil, water, vegetation, buildings, personal property, persons, animals or otherwise located on or around the Leased Premises; (b) contamination (c) any personal injury (including wrongful death), property damage (real or personal) arising out of or related to such hazardous material or contamination; (d) any lawsuit brought or threatened, settlement reached or government order relating to such hazardous material or contamination; or (e) any violation of any laws applicable thereto. The provisions of this section 3.12 shall be in addition to any other obligations and liabilities Lessee may have to Lessor at law or in equity with respect to environmental matters and shall survive the transactions contemplated herein and shall survive the termination of this Agreement.

3.13 **Indemnity:** Lessee shall indemnify defend and hold harmless Lessor and their respective heirs, legal representatives, successors and assigns ("**Lessor Indemnified Parties**") from and against all claims, damages, suits, losses or expenses, judgments, actions or liability (including, without limitation, all reasonable costs, attorney's fees and expenses incurred in connection therewith) (collectively the "**Losses**") in connection with any loss, injury, death or damage to any person or property (i) occurring in, on or about the Premises during the continuation of this Agreement, (ii) arising out of the use or occupancy of tile Leased Premises or the conduct of tile SWD Business, and/or(iii) which result from occurrences, including deductible amounts, which are within the coverages of all insurance required to be maintained by Lessee.

Lessee shall also indemnify and hold harmless the Lessor Indemnified Parties from all Losses arising from a breach, violation or non-performance of any covenant or other provision of this Agreement by Lessee.

Notwithstanding the above, no indemnity will be provided to a Lessor Indemnified Party for losses which are attributable to the acts, omissions, negligence or misconduct of the Lessor Indemnified Party.

3.14 **Default:** If Lessee breaches this Agreement, Lessor shall have the following remedies in addition to all other rights and remedies provided by law:

a. The following events shall be deemed to be events of default by Lessee under this Agreement:

(1) Lessee shall fail or refuse to pay any installment of the rent hereby reserved or other sum of money payable hereunder when due and such failure or refusal shall continue for ten (10) days after written notice thereof from Lessor to Lessee.

(2) Lessee shall fail or refuse to comply with any term, provision, or covenant of this Agreement, other than the payment of rent, and shall not cure such failure or refusal within twenty (20) days after written notice thereof from Lessor to Lessee.

(3) Lessee shall become insolvent, make a transfer in fraud of creditors, make a general assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due.

(4) Lessee shall file a petition under any section or chapter of the Federal Bankruptcy Code, as amended from time to time, or under any similar law or statute or the United States or any State thereof, or an order for relief shall be entered against Lessee in any bankruptcy or insolvency proceedings, or a petition or answer proposing the entry of an order for relief against Lessee in a bankruptcy or its reorganization proceedings under any present or future federal or state bankruptcy or similar law shall be filed in any court and not discharged or denied within twenty (20) days after its filing.

(5) A receiver, trustee or custodian shall be appointed for all or substantially all of the assets of Lessee or any of Lessee's property located at the Leased Premises.

(6) The leasehold hereunder shall be taken on execution or other process of law in any action against Lessee.

b. If an event of default occurs, Lessor shall have the right at its election, then or at any time thereafter while such event of default continues, to pursue anyone or more of the following remedies in addition to all other rights or remedies provided herein or at law or in equity:

Lessor may terminate this Agreement and forthwith repossess the Leased Premises by forcible entry and detainer suit or otherwise without liability for trespass or conversion and be entitled to recover forthwith as damages a sum of money equal to the total of (a) the cost of recovering the Leased Premises, (b) the unpaid royalty or damages due and payable at the time of termination, plus interest thereon at the maximum rate allowed by law from the due date until paid, (c) the balance of the rent for the remainder of the termless the fair market value of the Leased Premises for such period, and (d) any other sum of money and damages owed by Lessee to Lessor.

3.15 **Insurance:**

a. **Casualty Insurance.** Lessee shall be responsible for its own casualty insurance at the Leased Premises.

b. **Liability and Worker's Compensation Insurance:** Lessee, at its expense, shall maintain in force during the continuation of this Agreement, comprehensive general liability insurance, through companies acceptable to Lessor, insuring against the risks of bodily injury, death and property damage in the minimum amount of $1,000,000.00 per occurrence for

personal injuries or deaths of persons occurring in or about the Leased Premises and in tile minimum amount of $1,000,000.00 per occurrence for property damage. Such insurance shall name Lessor as an additional insured and shall provide primary coverage to any other insurance which may be carried by Lessor.

Lessee shall also, at its expense, maintain in force worker's compensation insurance as required by law, with waiver of subrogation rights by the carrier as to Lessor.

c. **Procedure for Insurance.** With respect to any insurance coverage in which the Lessor is to be named insured or additional insured, Lessee agrees to obtain a written obligation from the insurers to notify Lessor in writing at least thirty (30) days prior to cancellation or refusal to renew any such policies. Lessee agrees that, if such insurance policies are not kept in force during the entire term of this Agreement and any extension thereof, Lessor may, but is not obligated to, procure the necessary insurance, pay the premium therefor, and such premium shall be repaid by Lessee to Lessor upon demand. Lessee shall indemnify and hold Lessor harmless from all costs, expenses, liabilities and damages which may occur or be asserted against Lessor by reason of Lessee's failure to maintain any required insurance coverage.

3.16 **Miscellaneous Provisions**:

a. **Accommodation**: The location of any new facilities or relocation of existing facilities, including the location of pipeline and roadway easements on the Premises shall be determined by the mutual agreement of Lessor and Lessee to minimize the inconvenience or damage to Lessor's use of the surface of the Premises, both present and prospective. Lessor reserves the right to use and enjoy all of the Premises for any purpose which will not interfere with Lessee's intended use of the Leased Premises.

b. **Cattle and Farming**: Lessor has advised Lessee that Lessor intends to raise cattle and other livestock at the Premises and may conduct farming operations. Lessee hereby agrees to conduct the SWD Business in such a manner as to accommodate the use of the Premises as a ranch for the grazing and raising of cattle and other livestock and farming operations and agrees to protect and fence off the Tank Batteries (with cattle guards) and other equipment as may reasonably be requested by Lessor. The location of the fencing, gates and cattle guards shall only be by mutual consent of Lessor and Lessee. Lessee shall assume all liability and damages to the Polyline by the cattle and other livestock and any resulting contamination to the Premises.

c. **Shutoff Valve**: Lessee specifically agrees to maintain in good operating

condition a shutoff valve which will stop the flow of water should a leak occur in the Polyline.

d. **Pay Damages**: Lessee shall pay Lessor for all damage sustained to all personal property, improvements, livestock, crops or other property of Lessor resulting from Lessee's activities and operations hereunder.

e. **Maintain Roads**: Lessee shall maintain the Truck Road and the SWD Well Road in good repair and condition at all times as herein specified.

f. **Will Not Relocate**: Lessee does not have the right or privilege to construct any new roads or to relocate pipelines or construct additional facilities outside the Leased Premises without the prior written consent of Lessor. Lessee shall furnish Lessor with a surveyor's plat and metes and bounds description accurately reflecting the proposed location of all proposed new roads, and the location and size of all pipelines and other facilities constructed by lessee on the Leased Premises.

g. **No Fresh Water**: Lessee agrees that no fresh or potable water will be taken or used from the Premises for any operations under this Agreement or for any other reason.

h. **No Caliche**: Lessee agrees that it will not use any rock, gravel or caliche deposit from the Premises without having first obtained the consent of Lessor.

i. **Conduct of Operations**: Lessee shall conduct its operations at the Leased Premises in a commercially reasonable manner in accordance with the best industry standards and with due regard for the rights of Lessor. Lessee agrees to keep all areas of operation free of weeds, trash and debris at all times.

j. **Restrict Employees**: Lessee shall assure that its employees, contractors, invitees and other third parties remain within the Leased Premises and do not trespass onto other portions of the Premises. Lessee shall not permit any of its employees, contractors, invitees or other third parties entering upon the Leased Premises to bring alcoholic beverages or illegal drugs. No hunting is allowed at the Premises.

3.17 **Obligations Upon Termination**: Upon termination of this Agreement, Lessee shall, within one hundred twenty (120) days following the date of termination, (i) draw and remove all casing from the SWD Well and plug the SWD Well in accordance with the Governmental Regulations and (ii) remove all property, equipment and fixtures placed on the Premises by Lessee, and (iii) restore the surface of the land as near as possible to its original condition. Topsoil shall be replaced and pasture land reseeded with a grass variety approved by Lessor, provided that, Lessor has the right for 10 days following the date of termination to direct Lessee in writing (i) to not remove any particular road and

(ii) to not plug the SWD Well (in which event, Lessor assumes all obligations of Lessee to permit and plug the SWD Well in compliance with the applicable Governmental Regulations and agrees to indemnify and hold Lessee harmless from all liability related thereto). Sixty (60) days following the date of termination of the Agreement, at the sole election of Lessor (which may be exercised by written notice to Lessee) all or any part of such property, equipment and fixtures shall become property owned by Lessor without any further action. In the event Lessor seeks ownership and operation of the SWD well, Lessor shall compensate Lessee for the "Net Value" of the casing and attendant facilities located at the SWD Well location. "Net Value" means the fair market value of the casing and attendant facilities less the estimated cost of pulling the casing and plugging the well. Lessor shall assume responsibility for all compliance with governmental permitting, regulatory and bonding requirements.

3.18 **Successors and Assigns**: Lessee does not have the right to sublet or assign this Agreement Without the written consent of Lessor, which consent shall not be unreasonably withheld, directly or indirectly. Subject thereto, tile terms and provisions of the Agreement inures to the benefit of and are binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

3.19 **Governing Law:** This Agreement shall be governed by and construed and enforceable in accordance with the laws of the State of New Mexico and venue shall lie in Lea County, New Mexico. If either Lessor or Lessee commences any litigation or arbitration to enforce its rights under this Agreement, the prevailing party shall be entitled to collect from the non-prevailing party, in addition to all other relief which it is granted, all of its reasonable attorneys' fees, court costs and other legal expenses incurred in the litigation.

3.20 **Multiple Counterparts:** This Agreement may be executed in a number of identical counterparts, each of which for all purposes shall be deemed an original. This Agreement may also be executed separately by the parties, and when executed and delivered by all parties, all such separately executed Agreement including those with fax signatures shall collectively be deemed as an original executed Agreement of all of the parties. Facsimiles of original signatures shall be binding upon all parties.

Executed to be effective as of the Effective Date.

Lessor:

Nelda Key

Ronald C. Key

STATE OF NEW MEXICO
COUNTY OF SANTA FE

On The foregoing instrument was acknowledged before me this 30 day of June, 2009 by Nelda Key, a married woman dealing in her sole and separate property, joined pro-forma by her husband, Ronald C. Key.

Denise C. Keyes
Notary Public in and for the State of New Mexico
Printed Name:
Denise C. Keyes
My Commission Expires:
March 3rd, 2012

Lessee

DKD, LLC

By: _____
Danny Watson, its President

STATE OF NEW MEXICO
COUNTY OF SANTA FE

The foregoing instrument was acknowledged before me this 30 day of June, 2009, by Danny Watson, President of DKD, LLC, a New Mexico corporation, on behalf of said corporation.

Denise C. Keyes
Notary Public in and for the State of New Mexico
Printed Name: Denise C. Keyes

Commission Expires:
March 3rd, 2012

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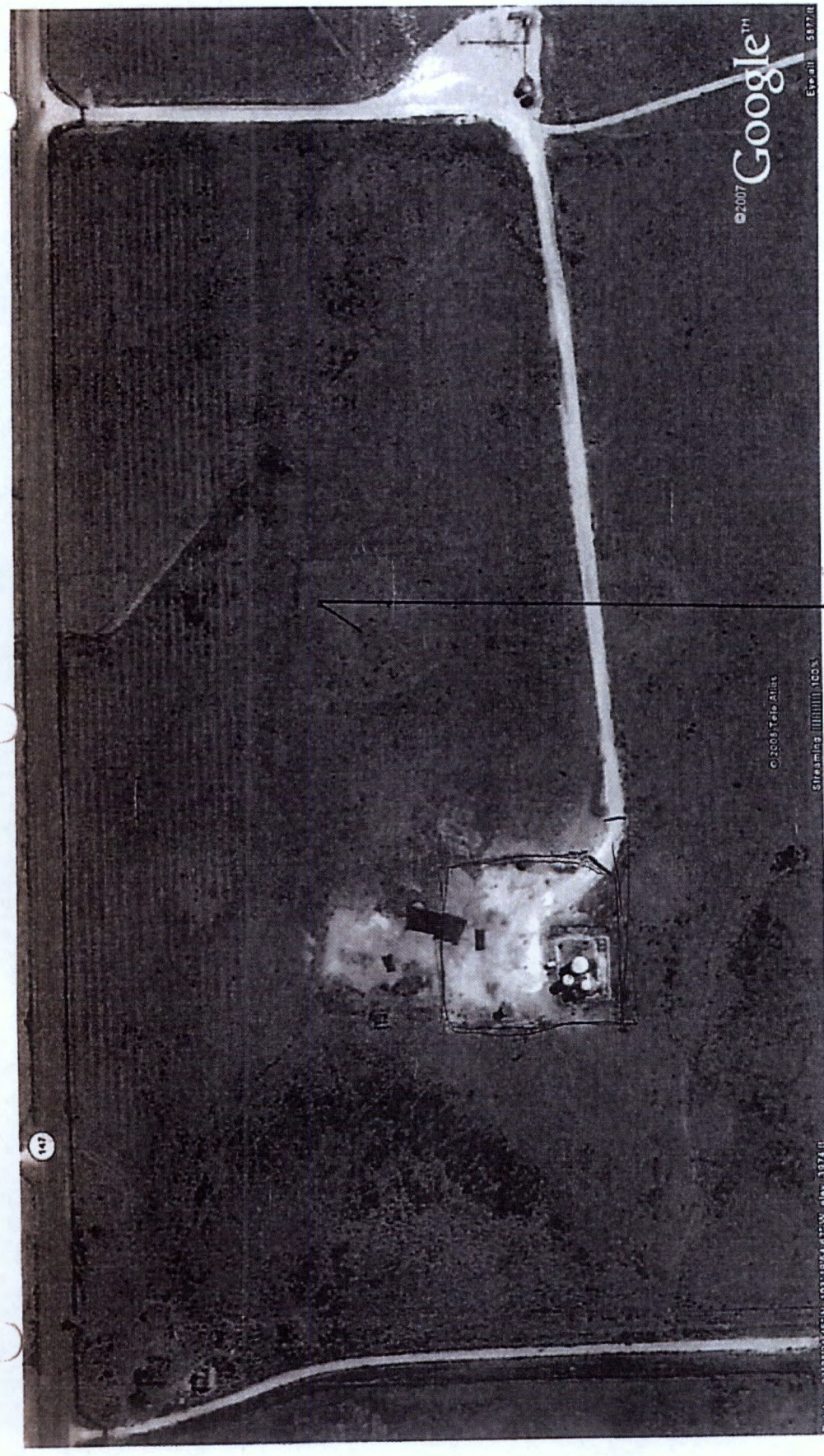

EXHIBIT A