



State of New Mexico
Commissioner of Public Lands
310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

PATRICK H. LYONS
COMMISSIONER

COMMISSIONER'S OFFICE
Phone (505) 827-5160
Fax (505) 827-5766
www.nmstate[lands].org

July 23, 2003

Padilla Law Firm P.A.
Attn: Mr. Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504-2523

RE: Salt Water Disposal SWD-209

Dear Mr. Padilla:

Enclosed for your further handling are duplicate originals of the above referenced easement.

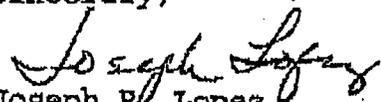
Please have your client execute the easement in duplicate, before a notary public and return at your earliest convenience.

Please note that we are offering you a two year easement pending the outcome of an internal study of our Salt Water disposal program.

Once the easement is returned and signed by the Commissioner, you will be furnished an original for your record.

If you have any questions regarding this easement, please call me at 505-827-4003.

Sincerely,


Joseph R. Lopez,
Commercial Resources

enclosures

NMOCD CASE NO. 13686
APRIL 27, 2006
DKD, LLC
EXHIBIT NO. 25

NEW MEXICO STATE LAND OFFICE

SALT WATER DISPOSAL EASEMENT

SALT WATER DISPOSAL EASEMENT NO. SWD-209

THIS AGREEMENT, dated this 22nd day of July, 2003, made and entered into between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, hereinafter called the grantor, and Pronghorn Management Corporation of P.O. Box 1772, Hobbs, New Mexico 88421, hereinafter called the grantee,

WITNESSETH:

THAT, whereas, the said grantee has filed in the Land Office an application for salt water disposal easement and has tendered the sum of \$500.00, together with the sum of \$30.00 application fee;

NOW, THEREFORE, in consideration of the foregoing tender, receipt of which is acknowledged, and the covenants herein, grantor does grant to the grantee a salt water disposal easement for the sole and only purpose of underground disposal of salt water produced in connection with oil and gas operations, together with the right to make such reasonable use of the land as may be necessary to dispose of said salt water. Said easement shall cover the following described lands:

INSTITUTION	SECTION	TOWNSHIP	RANGE	SUBDIVISION	ACRES
D.H.L. Miners Hospital	6	16South	36 East	Portion Withm Lot 12	2.50

TO HAVE AND TO HOLD said lands and privileges hereunder for a term of Two years from the date first above written, subject to all terms and conditions hereinafter set forth:

1. Grantee shall pay the grantor the sum of \$500.00 annually, in advance.
2. With the consent of the grantor and payment of a fee of \$30.00, the grantee may surrender or relinquish this salt water disposal easement to the grantor, provided, however, that this surrender clause shall become absolutely inoperative immediately and concurrently with the filing of any suit in any court or law or equity by the grantor or grantee or any assignee to enforce any of the terms of this salt water disposal easement.
3. The grantee, with the prior written consent of the grantor, may assign his salt water disposal easement in whole only. Upon approval of the assignment, in writing, by the grantor, the grantee shall stand relieved from all obligations to the grantor with respect to the lands embraced in the assignment, and the grantor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the grantor as to such tracts.

4. The grantor may cancel this salt water disposal easement for non-payment of annual consideration or for violation of any of the terms and covenants hereof, provided, however, that before any such cancellation shall be made, the grantor must mail to the grantee or assignee, by registered mail, addressed to the post office address of such grantee or assignee, shown by the records, a thirty-day notice of intention to cancel said salt water disposal easement is subject to cancellation. No proof of receipt of notice shall be necessary and thirty days after such mailing, the grantor may enter cancellation unless the grantee shall have sooner remedied the default.

5. The grantee shall furnish copies of records and such reports and plats of his operations, including any and all data relating to geological formations as the grantor may reasonably deem necessary to his administration of the lands.

6. Grantee may make or place such improvements and equipment upon the land as may reasonably be necessary to dispose of salt water, and upon termination of this salt water disposal easement for any reason, grantee may remove such improvements and equipment as can be removed without material injury to the premises; provided, however that all sums due the grantor have been paid and that such removal is accomplished within one year of the termination date or before such earlier date as the grantor may set upon thirty days written notice to the grantee. All improvements and equipment remaining upon the premises after the removal date, as set in accordance with this paragraph, shall be forfeited to the grantor without compensation. All pipelines constructed hereunder shall be buried below plow depth.

7. This salt water disposal easement is made subject to all the provisions and requirements applicable thereto which are to be found in various acts of the legislature of New Mexico and the rules of the Commissioner of Public Lands of the State of New Mexico, the same as though they were fully set forth herein, and said laws and rules, so far as applicable to this salt water disposal easement, are to be taken as a part hereof.

8. All the obligations, covenants, agreements, rights and privileges of this salt water disposal easement shall extend to and be binding and inure to the benefit of the lawful and recognized assigns or successors in interest of the parties hereof.

9. Grantee shall post with grantor a bond or undertaking in an amount required by grantor in favor of the owner of improvements lawfully located upon the lands herein to secure payment of damage, if any, done to such improvements by reason of grantee's operations.

10. Payment of all sums due hereunder shall be made at the office of the Commissioner of Public Lands, 310 Old Santa Fe Trail, P.O. Box 1148, Santa Fe, New Mexico 87504-1148.

11. Grantee, including his heirs, assigns, agents, and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances, and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire, and ecology. Such agencies are not to be deemed third party beneficiaries hereunder; however, this clause is enforceable by the grantor as herein provided or as otherwise permitted by law.

12. Grantee shall save and hold harmless, indemnify and defend the State of New Mexico, the Commissioner of Public Lands, and his agent or agents, in their official and individual capacities, of and from any and all liability claims, losses, or damages, arising out of or alleged to arise out of or indirectly

PADILLA LAW FIRM, P.A.
STREET ADDRESS
1508 S. ST. FRANCIS DRIVE
SANTA FE, NEW MEXICO 87501
MAILING ADDRESS
P.O. BOX 2523
SANTA FE, NEW MEXICO 87504-2523
Telephone (505) 988-7577 Facsimile (505) 988-7592

FAX TRANSMITTAL COVERSHEET

Date: July 29, 2003
To: G.A. Baber
Pronghorn Management Corp.
From: ERNEST L. PADILLA
Fax No. (505) 393-9980

RE: Application for Salt Water Disposal Well, OCD Case No. 12905

5 Pages Transmitted Including Coversheet

**IF YOU DO NOT RECEIVE ALL THE PAGES INDICATED ABOVE,
PLEASE CALL US BACK AS SOON AS POSSIBLE AT:**

(505) 988-7577 ASK FOR: Michelle

MESSAGE: Attached please find letter Joseph Lopez, Office of State of NM

Commissioner of Public Lands w/ easement attachment.

NOTE: The information contained in this facsimile message is attorney/client privileged and confidential information intended only for use by the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivery to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this facsimile in error, please immediately notify us by collect telephone call and return the original message to us at the above address via the U.S. Postal Service. Thank you.

Sent _____ Time _____

strict I
25 N. French Dr., Hobbs, NM 88240
strict II
01 W. Grand Avenue, Artesia, NM 88210
strict III
00 Rio Brazos Road, Aztec, NM 87410
strict IV
20 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

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

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address PRONGHORN MANAGEMENT CORPORATION P. O. BOX 1772 HOBBS, NM 88241		² OGRID Number 122811
		³ API Number 30-025-03735
³ Property Code 14991	³ Property Name STATE "T"	⁴ Well No. 2

⁷ Surface Location

Lot or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	6	16-S	36-E		4290	SOUTH	500'	WEST	LEA

⁸ Proposed Bottom Hole Location If Different From Surface

Lot or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1 SAN ANDRES GLORILETA	¹⁰ Proposed Pool 2
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¹¹ Work Type Code P	¹² Well Type Code S	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3976 DF
¹⁶ Multiple NO	¹⁷ Proposed Depth PBD 6500'	¹⁸ Formation SAN ANDRES GLORILETA	¹⁹ Contractor N/A	²⁰ Spud Date A.S.A.P.

²¹ Proposed Casing and Cement Program

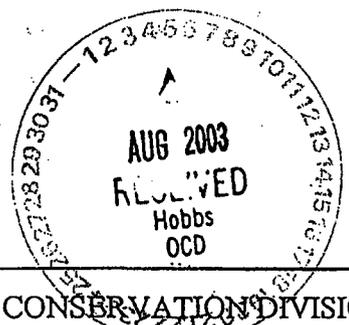
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/4"	13 3/8"	48#	378'	400	CIRC.
12 1/4"	8 5/8"	28 - 32 #	4749'	1352	625'
7 7/8"	5 1/2"	17 - 20. #	10,679'	300	9762'

² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.

Describe the blowout prevention program, if any. Use additional sheets if necessary.

See Attached.
Administrative Order
SWD - 836

Permit Expires 1 Year From Approval
Date Unless ~~Drilling Underway~~
Plug-Back



³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *G. A. Baber*

Printed name: G. A. BABER

Title: PARTNER

Date: 8-5-03

Phone: 505-399-9176

OIL CONSERVATION DIVISION

Approved by: ORIGINAL SIGNED BY PAUL E. KAUTZ

Title: PETROLEUM ENGINEER

Approval Date: AUG 05 2003

Expiration Date:

Conditions of Approval:

Attached

State T #2
Convert to S.W.D.

1. Move in and rig up well service rig. Install B.O.P.'s.
2. Rig up wireline unit. Make gauge ring run to 10,200'. POOH. Set 5 1/2" CIBP @ 10,200'. Cap with 35' cement. Pressure test casing to 500#.
3. Perforate 5 1/2" casing @ 9000'. TIH with cement retainer and tubing. Set retainer @ 8500' Establish injection rate. Circulate cement to surface. If unable to circulate pump, 200 sx cement. Calculated top of cement behind 5 1/2" casing 6500'.
4. Pull up the hole and set cement plug @ 6500' inside 5 1/2" casing.
5. If unable to circulate cement, perforate 5 1/2" casing @ 5400'. TIH with tubing and packer. Set @ 5000' and circulate cement to surface. WOC.
6. Drill out cement and pressure test casing to 500 #'s.
7. Run CBL/CET from 5400' to the surface with pressure on the annulus and submit to the Hobbs District Office for approval.
8. Perforate San Andres and Glorieta formation from 6192' - 6244', 6290' - 6316'.
9. TIH with packer and tubing. Set packer @ 5900'. Pressure test casing. Establish injection rate. Stimulate as necessary. POOH.
10. TIH with plastic coated tubing and packer. Set packer @ 5900'. Casing and tubing annulus shall be loaded with packer fluid and equipped with a pressure gauge at the surface or left open to detect leakage.
11. Install production facilities.