Oil and Gas Operating

'UDAH OIL, LLC

AUG - 9 A II: 4

August 4, 2010

NMOCD Engineering Bureau 1220 S St. Francis Dr Santa Fe, NM 87505

RE: Tecolote State #1, API 30-015-27346 C-108 Application

Dear Will,

I am sorry it has taken me so long to respond to your E-Mail dated June 30, 2010. I have been out of town quite a bit lately and have also been snowed under with some other issues. Thank you for your patience.

Listed below is my response to the questions you had concerning the Tecolote St #1 well. Please let me know if you need anything else.

A) We will set the CIBP at 5200 and put 100' of cement over plug.

B) I am enclosing the workover report (**Attachment "A"**) which covers the holes that were found in the casing. A hole was found @ 4069' and another hole was found between 2534 and 4069. I will go with our previous plans and replace the 5 ½ casing down to 4150' +/-. Cement will be pumped in two stages using a DV tool bringing cement to a minimum of 2000' below surface.

On the C-108 that was submitted on December 7, 2006, we were going to inject into perfs 5713-6164. We decided to use the upper Delaware (3530-4904) to inject into because the upper Delaware has no commercial shows. We feel that the proposed disposal interval will make a good candidate for injection.

C) The State of New Mexico received a Patent from the United States of America on January 22, 1960 covering this acreage, and then sold it to Mr. Gant and some of his partners on January 4, 1978. I am sending a copy of the Patent (**Attachment "B**") and a copy of a Title Opinion dated February 24, 2010 for your convenience.(**Attachment "C**")

Southwest Petroleum Land Services, LLC (SPLS) bought Mr. Gants interest and a Mr. Rhodes interest. I have attached a copy of the deeds (**Attachment "D"**) for you convenience. I have sent the other surface interest holders a copy of the permit. One, "Tenant in Common" where-a-bouts, is unknown. He owns 1/6 of the surface. I have heard he has passed away and there are no family members around this area. I am still trying to locate a family member. Judah still has the legal right to permit a lease injection well. That is why I am applying for a "Closed System" disposal well.

P.O. Box 568 611 W Mahone, Suite D Artesia, NM 88211-0568 Office: (505) 746-1280 Fax: (505) 746-1290 E-Mail: judahoil@yahoo.com **D)** BEPCO and BOPCO are the same entity. Their addresses are also the same. We have had no contact from BEPCO. They have received a copy of the C-108 Application. (Attachment "E")

E) We are attempting to permit the upper Delaware formation. This well was producing from the lower Delaware formation and was uneconomical to produce due to high water invasion. Structural dip is approximately 60' per mile to the east-southeast direction and the Big Eddy # 80 well is higher structurally that the proposed Tecolote SWD well. The lower Delaware has a "pinch out" from the Tecolote #1 to the Big Eddy #80. I have enclosed a cross section for your convenience. (Attachment "F")

The upper Delaware has no commercial hydrocarbon shows in either Big Eddy #80 or Tecolote St #1 wellbores. I have enclosed a copy of the Tecolote mud log for your convenience. (Attachment "G")

Please call me if you have any further questions.

Thanks again,

James B Campanella Member/ Manager

attc/jc

Disposal application on behalf of Judah Oil LLC: Tecolote State #1 30-015-27346 Bell an... Page 1 of 2



Disposal application on behalf of Judah Oil LLC: Tecolote State #1 30-015-27346 Bell and Cherry Canyon Disposal intervals

Wednesday, June 30, 2010 3:06 PM

From: "Jones, William V., EMNRD" <William.V.Jones@state.nm.us>

- To: billy@pwllc.net, "Blaise Campanella" <judahoil@yahoo.com>
- Cc: "Ezeanyim, Richard, EMNRD" <richard.ezeanyim@state.nm.us>, "Dade, Randy, EMNRD" <Randy.Dade@state.nm.us>, "Reeves, Jacqueta, EMNRD" <Jacqueta.Reeves@state.nm.us>, "Gray, Darold, EMNRD" <Darold.Gray@state.nm.us>

Hello Bill:

Concerning this application, some of the usual questions:

a. Please plan on plugging back within the 5-1/2 inch pipe to within 200 feet of the bottom of the (disposal interval 3530 to 4916) – you might consider adding more cement on top of the planned 5650 foot CIBP to reach 5100 feet.

b. The previous application states the 5-1/2 inch casing has numerous holes in it above the calculated cement top and the intention was to pull the old pipe and install new pipe and cement it in. The current application says the cement top is calculated at 4589 and the casing will be squeezed from 4150 up to a level above the intermediate shoe. Why did the plans get changed from last year to this year?

c. How did you determine which is the actual surface owner? The ONGARD system shows the BLM as the surface owner, your 2009 application for this well showed Joe Erwin Gant (and he protested), the latest application shows Southwest Petroleum Land Service.

d. BEPCO is now BOPCO, please let us know if the address and contacts are the same or if not, please send BOPCO a notice. BEPCO opposed the use of this well for disposal in 2009 – did you or Blaise talk to BOPCO before the latest application or work something out?

e. The offsetting plugged well has the top and bottom of the entire Delaware isolated but not the interval you plan on disposing into. The subject well apparently watered out or at least was a high water producer in the Delaware (with perfs below your proposed injection interval). Is the subject well on top of any Delaware structure or is the offsetting plugged well actually higher on structure?

f. Is there any possibility of production from the proposed disposal interval? How will you know? Do you have a mudlog or log analysis or do you plan to swab test?

g. The application and the advertisement specifies this will be used for lease disposal – would you please list which lease this is and which producing wells will be sending water to this well?

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

Judah (Mil, LLC

P.O. Box 568 Artesia, NM 88210

cell: 505-748-5488 office: 505-746-1280 fax: 505-746-1290

WELL PULLING REPORT

Lease Name: Tecolote St. #1 Date of Report: 09/02/2008 Work Commenced: 08/18/2008 Work Competed: 08/20/2008

REASONS FOR PULLING

Reason: T/A Corrosion: Moderate Scale: Nil Paraffin: Nil

DETAILS OF WORK PERFOMED

08/18/2007 MIRU Mesa Well Service. Laid down 91 - 7/8 rods and $130 - \frac{3}{4}$ rods. 2 - 4' subs and 2' pump sub. Laid down 28 – 2 7/8 joints. POOH with 152 joints. Put in derrick. Laid down SN, perf sub and MA. (SN was @ 5552). RIH with 5 1/2 RBP and 154 joints tubing. Set RBP @ 4749; Pressure up to 600# would not hold. Pulled 2 joints. Set RBP @ 4979'. Pumped 17 bbls to 600#. Would not hold. SION 8:00 p.m.

- 08/19/2008 600#'s. POOH with plug. RIH with RBP, 5 1/2 Packer, 154 joints; set plug @ 4743. Plug tested good. Tested up hole. Found hole @ 4069'. Pumped down casing and didn't hold. More holes between 4069' and 2534'. SION.
- Laid down tubing and packer. Left 5 1/2 RBP set @ 4743. RDPU. 08/20/2008

WELL RECORD

EQUIPMENT	MATERIAL OUT			MATERIAL IN			REMARKS/CONDITION
	Size	Joints	Feet	Size	Joints	Feet	
Mud Anchor	2 7/8	1	31				
Perforations	2 7/8	1	3		· ·		
Seating Nipple	2 7/8	1	1				
Tubing	2 7/8	180	5552				
Tubing Subs							
Gas Anchór	1 1/4	1	6	·			· · · · · · · · · · · · · · · · · · ·
Pump	2 ½x1½ x16						
Rods	7/8	91	2275				
Rods	3/4	130	3250				
Rod Subs	7/8	2	8				

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	·		NEW MEXICO			
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KELLY M. CASSELS CLARKE C. COLL' ERIC J. COLL STEVEN P. FISHER'' CLAYTON S. HIGHTOWER IAN D. MCKELVY'' CLAY H. PAULOS'' OCTAVIO L. SANCHEZ'' ANDREW M. SHIPP JEREMY M. WORLEY JOSHIJA T. WORLEY

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"ALSO LICENSED IN VIRGINIA

LAW OFFICES OF SANDERS, BRUIN, COLL & WORLEY, P.A. 701 WEST COUNTRY CLUB ROAD ROSWELL, NEW MEXICO 88201 POST OFFICE BOX 550 ROSWELL, NEW MEXICO 88202-0550

Attch "C"

February 24, 2010

JÀMES L. BRUIN RETIRED

CHARLES H. COLL OF COUNSEL

T. T. SANDERS, JR. [1908-1996]

> TELEPHONE 575-622-5440

FAX 575-622-5853

E-MAIL sbcw@sbcw-law.com

WEBSITE http://www.sbcw-law.com

IN RE: DIVISION ORDER TITLE OPINION—NO. 022306-S

State of New Mexico Oil & Gas Lease VB-0183-2, insofar as it embraces the following described land in Eddy County, New Mexico, to-wit:

Township 21 South, Range 28 East, N.M.P.M.

Section 2: Lots 1 through 16, and the S/2

Containing 908.2 acres, more or less.

Southwest Petroleum Land Services, LLC c/o James Schultz 100 North Pennsylvania Roswell NM 88203

Mr. Schultz:

At your request and in connection with title to the oil and gas mineral estate underlying the captioned lands, we have today examined the following:

STATE RECORDS:

Schutz Abstract Company, Inc., letter report regarding the status of the captioned lease and miscellaneous instruments of record in the Office of the Commissioner of Public Lands of the State of New Mexico faxed to you on January 27, 2010. A copy of this letter is attached hereto as Exhibit "A."



COUNTY RECORDS:

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We have reviewed, and this opinion is based upon, certain documents provided by you pursuant to a take-off of the records of the Eddy County Clerk affecting the oil and gas mineral rights to the captioned lease and lands. The take-off was prepared by Southwest Petroleum Land Services, LLC purporting to cover the time period of November 16, 2005 down to January 7, 2010. A copy of the index from the take-off is attached hereto as Exhibit "B."

JUDGMENT AND LIEN SEARCH:

A Judgment and Lien Search of the Eddy County Records was performed as of February 17, 2010 at 8:00 a.m. by our office. No outstanding Judgments or Liens affecting the title to the captioned lease was found other than those specifically set forth herein.

PRIOR OPINIONS:

A. Christy, Bozarth, Vickers, Hennighausen & Olson Drilling Title Opinion No. 5020 dated November 12, 1992, covering the captioned lease and lands. The opinion was based upon the records of the Commissioner of Public Lands certified from the inception of the records down to November 6, 1992, at 8:00 a.m. and Eddy County records certified from the inception of the records down to November 6, 1992, at 8:00 a.m.

B. Interjurist Law Firm Division Order Title Opinion No. 5020-A dated December 30, 1992, covering Lot 13 of the captioned lease and lands from the surface down to the base of the Bone Spring formation. The opinion was based upon the records of the Commissioner of Public Lands certified from November 6, 1992, at 8:00 a.m. down to December 15, 1992, at 8:00 a.m. and Eddy County records certified from November 6, 1992, at 8:00 a.m. down to December 11, 1992, at 8:00 a.m.

C. Interjurist Law Firm Drilling Title Opinion No. 5022 dated March 31, 1993, covering Lot 11 of the captioned lease and lands. The opinion was based upon the records of the Commissioner of Public Lands certified from November 6, 1992, at 8:00 a.m. down to March 17, 1993, at 8:00 a.m. and Eddy County records certified from December 11, 1992, at 8:00 a.m. down to March 22, 1993, at 8:00 a.m.

D. Turner & Davis, P.C. Division Order Title Opinion dated May 27, 1998, covering the captioned lease and lands as to all depths below the base of the Bone Spring formation. The opinion was based upon the records of the Commissioner of Public Lands certified from July 29, 1997, at 8:00 a.m. down to January 13, 1998, at 8:00 a.m. and Eddy County records certified from July 30, 1997 at 8:00 a.m. down to January 14, 1998, at 8:00 a.m.

E. Sanders, Bruin, Coll & Worley, P.A. Division Order Title Opinion dated April 27, 2006, covering the captioned lease and lands. The opinion was based upon the records of the Commissioner of Public Lands certified from January 13, 1998, at 8:00 a.m. down to

Opinion 022306-S/Page 2

February 27, 2006, at 8:00 a.m. and Eddy County records certified from November 6, 1992, at 8:00 a.m. down to November 16, 2005 at 8:00 a.m.

At your instruction and from our examination of the foregoing materials, and based solely thereon, and subject to the title requirements hereinafter made, we now advise the status of title to the captioned leases and oil and gas mineral estate underlying the captioned lands as follows:

I. OWNERSHIP OF SURFACE ESTATE

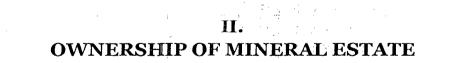
<u>Tract I:</u> <u>Township 21 South, Range 28 East, N.M.P.M.</u>: Section 2: Lots 1 through 16

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Tract I was patented by the United States of America to the State of New Mexico by Patent No. 1204162, dated January 22, 1960 without any reservation of the minerals thereunder. Patent No. 3365, dated January 24, 1978, issued from the State of New Mexico to Earl H. Miller (1/6), Gerald O. Rhoads (1/6), Joseph Erwin Gant, III (1/6), George B. Markle, IV (1/6) and M. Rosenberg (1/3), as tenants in common. The State patent specifically reserved the mineral estate to the State.

<u>Tract II:</u> <u>Township 21 South, Range 28 East, N.M.P.M.</u>: Section 2: S/2

Tract II was patented by the United States of America to the State of New Mexico by Patent No. 1204162, dated January 22, 1960 without any reservation of the minerals thereunder. The surface estate is still owned by the State of New Mexico subject to Agricultural Lease GO-2241 issued by West Ranch, LLC, Post Office Box 3223, Carlsbad, New Mexico, 88220-3223. This Lease has an expiration date of September 30, 2010.



The mineral estate is owned 100% by the State of New Mexico, subject to Oil & Gas Lease V-0183-2 discussed hereinbelow.

Opinion 022306-S/Page 3



Attah "p"

WARRANTY DEED

Joseph E. Gant, III and Beverly Gant, husband and wife, P.O. Box 1119, Carlsbad, NM 88220, for and in consideration of ten dollars and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, convey and sell unto Southwest Petroleum Land Services, LLC, whose address is 100 N. Pennsylvania, Roswell, NM 88203, all of their right, title and interest in and to an undivided one-third $(1/3^{rd})$ of the surface ownership in following described real estate located in Eddy County, New Mexico, to wit:

Township 21 South, Range 28 East, NMPM Sec. 2: Lots 1-16, less and except 25.3 acres, Being the Right-of-Way for Hwy 62-180 Containing 562.88 acres, more or less.

with warranty covenants, subject to any prior reservation, restrictions, easements of record and in open view.

WITNESS our hands and seals this <u>22</u> day of <u>December</u> 2009.	
Joseph G. Sont II	
Joseph E. Gant, III	·
Beverly Gant Beverly Gant	<u></u>

STATE OF NEW

COUNTY OF EDDY

This instrument was acknowledged before me this 22 day of December 2009, by Joseph E. Gant, III and Beverly Gant, husband and wife.

MY COMMISSION EXPIRES <u>nem</u> 1012912013 Notary Public CEPTION NO: 0912294 STATE OF OFFICIAL SEAL MEXICO. RDED 12/ COUNTY EDDY ÛF Mch 22/2009 10:38 AM ORDED BOOK 0800 PAGE 0166 emande COUNTY DARLENE ROSPRIM, CLERK Southwest Petroleum Land Services, LLC 100 N. Pennsylvania Roswell, NM 88203

)) ss:

Attach "D"

BOOK 814 PAGE 0600

REC NEW REC BOO DAR

WARRANTY DEED

Christy Jay Rhoads and Ruth Kathleen Rhoads, husband and wife,, Albuquerque, NM87120, for and in consideration of ten dollars and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, convey and sell unto Southwest Petroleum Land Services, LLC, whose address is 100 N. Pennsylvania, Roswell, NM 88203, all of their right, title and interest in and to the surface ownership in following described real estate located in Eddy County, New Mexico, to wit:

> Township 21 South, Range 28 East, NMPM Sec. 2: Lots 1-16, less and except 25.3 acres, Being the Right-of-Way for Hwy 62-180 Containing 562.88 acres, more or less.

with warranty covenants, subject to any prior reservation, restrictions, casements of record and in open view.

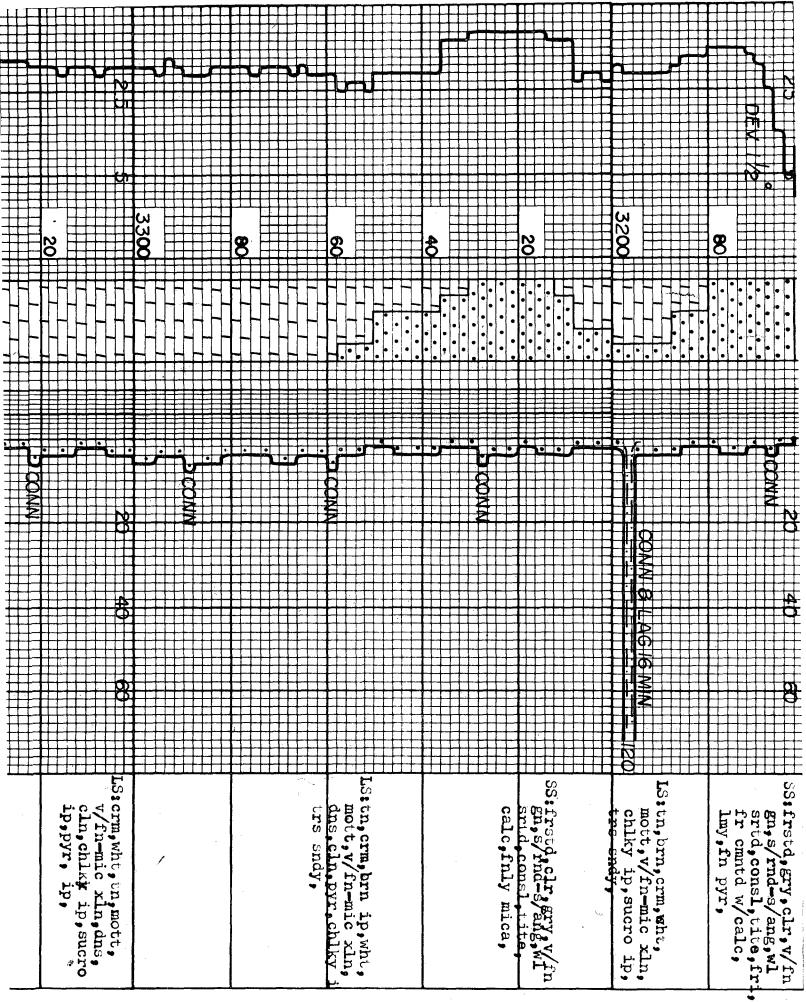
WITNESS our hands and seals this	29th day of april, 2010.
OFFICIAL SEAL Elaine Jim NOTARY PUBLIC STATE OF NEW MEXICO My Commission Expires: D 1 2 3 - 1 2	Christy Jay Rlonds Christy Jay Rhoads Ruth Kathlen Rhoads Ruth Kathlen Rhoads
STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss:)
This instrument was acknow 2010, by Christy Jay Rhoads and Ru MY COMMISSION EXPIRES:	vledged before me this <u>2</u> ? day of <u>April</u> th Kathleen Rhoads, husband and wife. Notary Public
EPTION NO: 1004866 STATE MEXICO, COUNTY OF EDDY ORDED 05/25/2010 10:11 K 0814 PAGE 0600 10:11 LENE ROSPRIM, COUNTY CLER	- ^{AM} SEAL

SOUTHWEST PETROLEUM LAND SRVCS LLC 100 N PENNSYLVANIA ROSWELL NM 88201

Attch "E"

 SENDER: COMPLETE THIS SECTION Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the revers so that we can return the card to you. Attach this card to the back of the mailpled or on the front if space permits. 	e	COMPLETE THIS SECTION ON DELIVERY A. Signature X B. Received by APrinter Pariet C. Data of pelivery
1. Article Addressed to: BEPCO PO Box 2760 Midland, TX 79702	High Contains starting the second	 D. Is delivery address different from item 1?
3 .		Registered Return Receipt for Merchandise Insured Mail C.O.D. A. Restricted Delivery? (Extra Fee) Yes
2. Article Number (Transfer from service label)	700	16 2150 0005 7877 5936
PS Form 3811, February 2004 Dom	nestic Ret	urn Receipt 102595-02-M-1540

COMPANY ENERGEX COMPANY WELL TECOLOTE STATE #1 LOCATION SECTION 2 TWP 21S RGE 28E COUNTY EDDY STATE NEW MEXICO ELEVATION DR GL 3324' K8 3335' SUPERVISING ENGR. JIM WOOD ST. JIM WOOD JL DEPTH LOGGED FROM 5-14-93 TO 5-19-93 METHARE PROPARE PENTANE ETHARE BUTANE PROPARE THARE PENTANE ETHARE PENTANE TWO BOORMONTORAPH INTROCARBON MALTYSIS W V F X PH TWO MARY LOGGIN 66 STOOPPM W ST CHOMATOR 6 STOOPPM	40 REED HP52 60 60	LITHOLOGY THE LEACHED UNIT FLUOR %OIL OIL STAIN	D HI LIMESTONE STONE Z DOLOMITE LE Z ANHYDRITE	WOODCO LOGGING SERVICE 3502 Cass Drive Carlsbad, New Mexico 88220 (505) 887-2469
		BON ANALYSIS LOG CHROMATOGRAPH ANALYSIS W V F CK	DR GL 3324' GENGR. JIM WOOD Sr. GED FROM 3162' ED FROM 5-14-93 PROPANE	COMPANY ENERGEX COMPANY WELL TECOLOTE STATE #1 LOCATION SECTION 2 TWP 21S RGE



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