

DKD, LLC.

816 W. Broadway
P.O. Box 682
Tatum, NM 88267

Phone 505-398-3490
Fax 505-398-3494

June 11, 2002

Oil Conservation Division
P.O. Box 6429
1220 S. Saint Francis Dr.
Santa Fe, NM 87504

Dear David,

This letter is to follow up on our conversation about Pronghorn salt water disposal permits, sec 6 T 16S 36E.

As you are aware that my permit for salt water disposal on DKD, L.L.C. was approved by your staff and administrative order SWD-834, API # (30-025-34197), 2857 feet from south line and 1417 from west line (Unit N) Sec 6, Township 16 S, Range 36 E, Lea County, New Mexico.

1st.) I was not notified by mail of the application. Only verbally and I did not say anything until the official paper work was done and I was notified. I have not been notified in writing yet.

2nd.) This well that Pronghorn wants to change to SWD, which should be Gulf State B #2T is about 100 feet from a trailer house with people living in it.

3rd.) It is about 400 yards northwest of my disposal that was approved by your staff.

4th.) If you will check the Mineral LSC from State of New Mexico to Chesapeake Operating Company, you will find that they were assigned to Chesapeake then I have a contract from Chesapeake to my company DKD, L.L.C. dated March 25, 2002. The Mineral LSC in my opinion does include the Pronghorn Gulf State #2T lease well bore (checked out at Lea County Courthouse). As we discussed by phone Pronghorn was carried to hearing and forced to plug wells on my land and if you look back at Pronghorn well records these wells should have been plugged several years ago. Also I wrote a letter to OCD office in Hobbs requesting Pronghorn to clean up old tank battery fencing, flow lines, trash and fixtures and that has not worked as of today 6/11/02, (Letter was sent to OCD in early February 2002) all tanks and flow lines are still here on my property. The OCD office did contact Guy Baber with Pronghorn and Guy Baber did contact me by phone approximately 5 days later and said he would move tanks etc. and did not want to cause any problems, but did not say when he could move them.

5th.) As you know by now Baber Well Plugging Company and or Pronghorn apparently got wells for plugging or salvage and never kept up lease.

I personally would like to thank you and your staff for your time on these matters.
If I do need a attorney for further action I will hire one.

Thank you,

DKD, L.L.C.
Danny R. Watson, President

COPY

EXHIBIT "A"

ATTACHED HERETO AND MADE PART OF THAT CERTAIN ASSIGNMENT, BILL OF SALE AND CONVEYANCE BETWEEN CHESAPEAKE OPERATING, INC., CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, CHESAPEAKE INVESTMENTS, TLW INVESTMENTS INC., NORTHPORT PRODUCTION COMPANY, VESTIGE, INC., AND ANSON ENERGY CORPORATION, AS ASSIGNOR, AND DKD, L.L.C. AS ASSIGNEE, EFFECTIVE FEBRUARY 1, 2002.

LEASE NO: NM7000094-000
LESSOR: State of New Mexico – Lease No. V04886 0000
LESSEE: Chesapeake Operating, Inc.
DATE: June 1, 1996
RECORDED: 800/156
DESCRIPTION: Lots 13 and 14 of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico, as further described in said lease.

INSOFAR AND ONLY INSOFAR AS SAID LEASES COVER LANDS CONTAINED WITHIN THE SURFACE BOUNDARIES OF THE 76.65 ACRE WATSON 1-6 UNIT, AS MORE FULLY DESCRIBED AS LOTS 13 AND 14 OF SECTION 6, TOWNSHIP 16 SOUTH, RANGE 36 EAST, LEA COUNTY, NEW MEXICO.