

BW - ____022____

TRANSFER

GANDY CORPORATION
OILFIELD SERVICES

P.O. Box 2140
Lovington, New Mexico 88260
575-396-0522
FAX 575-396-0797

April 01, 2011

Mr. Jim Griswold
Senior Hydrologist
New Mexico Oil Conservation Division (OCD)
1220 S. Saint Francis Dr.
Santa Fe, NM 87505

Reference: OCD Brine Well Permits BW-4 and BW-22

- BW-4 API# 30-025-26883 Wasserhund Eidson Brine- Eidson State #001 Permit Expiration Date June 11, 2011
- BW-22 API# 30-025-28162 Quality Brine Watson No. 1- Quality Brine Tatum Permit Expiration Date March 11, 2012

Subject: Transfer of Ownership from Gandy Corp to Wasserhund Inc.

Dear Mr. Griswold:

Pursuant to WQCC regulations 20.6.2.311 attached hereto, and specific permit conditions, Item 22. attached hereto, as contained in the current Brine Well OCD permits # BW-4 and BW-22, Gandy Corp hereby is notifying the OCD that the above referenced brine wells are being transfer from the Gandy Corp (NMPRC # 945717) to Wasserhund Inc. (NMPRC #105876). Both companies are listed as in good standing with the NMPRC.

The president of both entities is Mr. Dale Gandy a resident of New Mexico. Mr. Gandy is both the transferor and the transferee and is fully knowledgeable of the transfer and hereby commits to all provisions and requirements as they appear of record in the department's file or files concerning such discharge permits.

Please execute this transfer as soon as possible and if future actions are required please notify Mr. Wayne Price-Price LLC at 505-715-2809, E-mail wayneprice77@earthlink.net.

Sincerely,

Dale Gandy-President Gandy Corp/Wassehund Inc.

WQCC 20.6.2.3111 TRANSFER OF DISCHARGE PERMIT: No purported transfer of any discharge permit shall be effective to create, alter or extinguish any right or responsibility of any person subject to this Part, unless the following transfer requirements are met:

A. Prior to any transfer of ownership, control, or possession (whether by lease, conveyance or otherwise) of a facility with a discharge permit, the transferror shall notify the transferee in writing of the existence of the discharge permit, and shall deliver or send by certified mail to the department a copy of such written notification, together with a certification or other proof that such notification has in fact been received by the transferee.

B. Upon receipt of such notification, the transferee shall have the duty to inquire into all of the provisions and requirements contained in such discharge permit, and the transferee shall be charged with notice of all such provisions and requirements as they appear of record in the department's file or files concerning such discharge permit.

C. Until both ownership and possession of the facility have been transferred to the transferee, the transferor shall continue to be responsible for any discharge from the facility.

D. Upon assuming either ownership or possession of the facility, the transferee shall have the same rights and responsibilities under the discharge permit as were applicable to the transferor.

E. Nothing in this section or in this part shall be construed to relieve any person of responsibility or liability for any act or omission which occurred while that person owned, controlled or was in possession of the facility.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.