



207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

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S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. TREAS.

July 8, 1986

New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

ATTN: Mr. David R. Catanach

Re: Aztec State Com. No.3  
660' FSL & 660' FWL  
Sec. 18, T.16S., R.37E.  
Lea County, New Mexico

Dear Mr. Catanach:

By letter of June 25, 1986, Yates Petroleum Corporation objected to Verde Grande, Inc.'s application for water disposal in the subject well. The application is scheduled for hearing on July 9, 1986 (Case No. 8935).

We have subsequently conferred with Verde Grande and have reached an agreement which allows us to withdraw the objection. However, we do respectfully request that injection pressure in the well be restricted so as not to exceed fracture pressure and that we have the opportunity to reinstate our objection should fracture pressure be exceeded.

Sincerely,

YATES PETROLEUM CORPORATION  
David F. Boneau  
Engineering Manager

cc: Verde Grande, Inc.  
Attn: Mr. Roland Caudill  
P.O. Box 147  
Lovington, NM 88260

ASSIGNMENT AND RIGHT OF WAY AGREEMENT

THIS ASSIGNMENT AND RIGHT OF WAY AGREEMENT is made and entered into this \_\_\_\_\_ day of April, 1986, by and between \_\_\_\_\_ and \_\_\_\_\_, husband and wife, hereinafter called "GILMORE", and VERDE GRANDE, INC., a New Mexico corporation, hereinafter called "VERDE GRANDE".

WITNESSETH:

1. GILMORE is the owner of the surface estate of the Southwest Quarter (SW/4) of Section 18, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. VERDE GRANDE desires to have that certain well known as "Aztec State Com. No. 3", and Penzoil is assigning all it's right, title, and interest in said location and well bore to VERDE GRANDE.

3. GILMORE desires to assign all right, title, or interest which they might have in said well, surface location and/or bore hole to VERDE GRANDE.

4. GILMORE desires to assign a right of way to VERDE GRANDE to permit VERDE GRANDE to construct and place on top of the ground a pipeline from Aztec State No. 1 to Aztec State Com. No. 3, together with the right of ingress and egress to maintain, construct, and repair said line and to operate Aztec State Com. No. 3 as a salt water disposal well.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. GILMORE hereby assigns to VERDE GRANDE all right, title, and interest in and to Aztec State Com. No. 3, together with the location pad surrounding said well for a distance of 150 feet.

*Verde Grande will not construct a tank battery or truck unloading dock on said location by Aztec State Com. No. 3.*

2. GILMORE hereby assigns to VERDE GRANDE a right of way  
a pipeline (on top of the ground) from Aztec State No. 1 to Aztec State  
3, together with the right of ingress, egress, and maintenance.

3. VERDE GRANDE agrees to pay to GILMORE, their successors, assigns,  
heirs, five percent (5%) of all gross disposal fees received by VERDE GRANDE for  
salt water disposed of in Aztec State Com. No. 3. Said payments to be based  
upon a meter reading for all water disposed of in Aztec State Com. No. 3 and  
payment to be made by VERDE GRANDE to GILMORE within thirty (30) days of receipt  
of funds by VERDE GRANDE from their customers.

4. VERDE GRANDE agrees and covenants to maintain the location around Aztec  
State Com. No. 3 and the pipeline referred to in Paragraph 2 in a manner con-  
sistent with all regulations by the State of New Mexico.

5. In the event that VERDE GRANDE should ever abandon Aztec State Com. No.  
3 as a salt water disposal well, VERDE GRANDE shall remove all caliche pads,  
fences, equipment, and pipelines from the property of GILMORE.

THIS ASSIGNMENT AND RIGHT OF WAY AGREEMENT is effective this \_\_\_\_\_  
day of April, 1986, and shall be binding upon the parties hereto, their heirs,  
successors, and assigns.

\_\_\_\_\_  
\_\_\_\_\_

VERDE GRANDE, INC.

By \_\_\_\_\_  
ROLAND CAUDILL, President