



Grace Petroleum Corporation
Subsidiary of W. R. Grace & Co.

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Midland, Texas 79702

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MAY 17 1979

U. S. GEOLOGICAL SURVEY
HOBBS, NEW MEXICO

May 7, 1979

Mr. William C. Smith
P. O. Box 1124
Hobbs, New Mexico 88240

Re: Surface Use Agreement
Damage Settlement and Restoration Plan
Felmont Federal Well No. 2
660' FSL & 760' FEL (Surface Location)
Section 25, T-20S, R-32E
Lea County, New Mexico

Dear Sir:

Grace Petroleum Corporation has filed application with the USGS district office in Hobbs, New Mexico to drill a directional well as referenced above with the bottom hole producing location to be in the center of the SW/4 of Section 25 (federal minerals lease).

As discussed and agreed upon between yourself and myself, a check in the amount of \$3,500.00 is enclosed as settlement for damages resulting from construction and use of a drilling and producing well site for the referenced well. Area will not exceed that shown on the rig layout diagram (filed with USGS Application to Drill) furnished to you by letter of 3-30-79.

- 1) The contractor building the location will purchase materials (caliche) from you from the privately owned caliche pit of your designation and will provide you with 24 hours notice prior to commencing operations.
- 2) At least three (3) sides of the well site will be fenced during drilling operations to confine all traffic to the well site proper.
- 3) All trash will be contained on the well site proper.

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HOBBS, N. M.

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