

## **SURFACE USE AGREEMENT**

**Roy Lee Criswell, P.O. Box 35 PEP, NM 88126, ,** hereinafter referred to as "**Grantor**" do hereby grant unto **Armstrong Energy Corporation, P.O. Box 1973, Roswell, NM 88202,** hereinafter referred to as "**Grantee**", its successors and assigns, the rights and privileges to use Grantor's lands located in Roosevelt County, New Mexico, limited to the following described lands (hereinafter called the "Subject Property"):

**Township 5 South, Range 34 East, NMPM**

**Section 19: All**

**Section 30: W/2**

as may be necessary or convenient for Grantee's operations under the terms and provisions contained in this Agreement which shall supercede all prior agreements, whether oral or written, unless a prior Agreement is specifically referenced within this Agreement. Execution of this Agreement shall also waive all rights, causes of action, claims or damages to which the Grantor might otherwise be entitled pursuant to the New Mexico Surface Owner's Protection Act, 70-12 et al, NMSA 1978. Grantor agrees that the damages described hereunder will constitute all damages to which the Grantor is entitled to receive or claim and that in consideration of the amounts paid hereunder, Grantor releases and waives any additional claims for damages as to the Subject Property outside of the terms and conditions of the Agreement. Grantee's rights under this Agreement shall be in addition to, and shall not diminish, any of Grantee's rights under its oil and gas leases covering all or any portion of the Subject Property.

**Grantor and Grantee knowing and willfully agree to the following:**

**I. Notice:** Prior to initial entry upon the land for activities that do not disturb the surface, including inspections, staking, surveys, measurements and general evaluation of proposed routes and sites for Oil and Gas Operations (as defined by the New Mexico Surface Owner's Protection Act, 70-12 et al, NMSA 1978), Grantee shall provide at least five (5) business days' notice by certified mail or hand delivery to the Grantor.

No less than thirty days before first entering the surface of the land to conduct Oil and Gas Operations, Grantee shall, by certified mail or hand delivery, give the Grantor notice of the planned Oil and Gas Operations (hereinafter 'Operations Notice').

Any offer of compensation in this agreement is not an acceptance of liability for any provisions detailed in this Agreement or the Operations Notice, which may occur over the course of operations upon Subject Property.

The Operations Notice shall be given to the Grantor at the address shown by the records of the county clerk at the time the notice is given. If legal title and equitable title are not held by the same person, Operations Notice shall be given to both the holder of legal title and to the holder of equitable title at the addresses shown by the records of the county clerk at the time the Operations Notice is given. Operations Notice shall be given only once and shall only provide information known to the operator at the time of the Operations Notice.



The Operations Notice shall include: 1) sufficient disclosure of the planned Oil and Gas Operations to enable the Grantor to evaluate the effect of the operations on the property; a ~~copy of the Surface Owner's~~ Protection Act 70-12 et al, NMSA 1978; 2) a copy of the Surface Owners Protection Act; 3) the name, address, telephone number and, if available, facsimile number and electronic mail address of the Grantee and the Grantee's authorized representative; and 4) an offer of compensation, which is described in this Agreement.

In this Agreement, Grantee has made an offer of compensation to the Grantor for damages sustained by the Grantor, as applicable, for loss of agricultural production and income, lost land value, lost use of and lost access to the Grantor's land and lost value of improvements caused by Oil and Gas Operations. The payments contemplated by this Agreement only cover land affected by Oil and Gas Operations or infrastructure work such as constructing roads, pipelines and power lines. The offer of compensation shall be based upon information available at the time of the offer.

**II. Lost Livestock Value/Fire Damage:** In the event of any accident caused by Grantee's operations which results in the death of livestock, Grantee agrees to pay Grantor, or the owner of the livestock, the market value of the livestock as of the date of death.

Grantee shall agree to compensate Grantor for any fire damage caused by Oil and Gas Operations on the Subject Property. The exact amount of compensation shall be determined by multiplying the actual number of acres which suffer fire damage by \$100.00 per acre, in addition to the replacement costs of any improvements to the lands (i.e. fencing).

**III. New Roadway/Pipe Line/Power Line Construction:** Grantor shall grant the right to Grantee to construct new roadways on the Subject Property. Grantee shall compensate Grantor for new roadways constructed on the Subject Property for which Grantor may prove lost access or lost use of the subject property. Compensation offered shall be \$22.00 per rod for damages, a rod being equal to sixteen and one half feet (16.5'). In addition, after the first well is completed that requires access through the road shown on Exhibit "A", Grantee will pay Grantor \$1,920.00 for damages for each additional well that is drilled, up to ten (10) wells in total, that require access through the road shown on Exhibit "A". Grantee shall have the right to construct (including the right to place materials suitable for roadway construction in the oilfield), use, maintain, inspect, repair and operate new roadways, not to exceed fourteen feet (14') in width. Said fourteen feet is to be measured from edge to edge of road surface constructed by Grantee. Grantee shall also have the right to clear and use up to an additional four feet (4') on each side of an existing roadway surface for the construction and maintenance of bar ditches and other water diversions, as well as an additional ten feet (10') limited to one side of an existing roadway, for turnouts as may be required for every 1,000' of an existing roadway.

Grantor shall grant the right to Grantee to construct new pipe lines and power lines on the Subject Property. Grantee shall compensate Grantor for new pipe lines or power lines constructed on the Subject Property for which Grantor may prove lost access or lost use of the subject property. Compensation offered shall be \$2.00 per rod for pipe line damages and \$1.00 per rod for power line damages, a rod being equal to sixteen and one half feet (16.5'). Grantee shall have the right to construct, use, maintain, inspect, repair and operate pipe lines



and power lines. The land used for pipe lines shall not exceed twenty feet (20') in width and upon burial of any pipe line; the lands shall be reclaimed as required by the NMOCD, with the exception of any required maintenance or access roads.

**IV. Reclamation:** Grantee shall reclaim the surface property to standards used and approved by the NMOCD at the time of this agreement. Additional requirements posed by the NMOCD at the time of closure shall not create Grantee liability to Grantor beyond that stated in this agreement. Further, once NMOCD has released the financial assurance required with said agency for operations, Grantor and all his successors and assignees agree to indemnify and hold Grantee free and harmless against any and all loss, damage claims and suits resulting from reclamation or closure processes on the surface property.

**V. Indemnification:** Grantee, its contractors, agents and assigns do hereby covenant and agree to indemnify and hold Grantor free and harmless against any and all loss, damage, claims, demands and suits which Grantor may suffer as a result of Grantee's operations hereunder, excluding any loss, damage, claim, demands or suits resulting from the negligence or willful misconduct of Grantor.

**VI. Payments:** In the event of a change of ownership relating to the Subject Property, Grantee shall not be bound by the same until it is furnished with satisfactory evidence in recordable form of said change of ownership. Further, Grantor acknowledges and accepts that the provisions of this Agreement, including the payments made hereunder, are covenants which touch and concern the Subject Property, and that none of the rights or obligations contained herein may be severed from the ownership of the Subject Property. All payments made hereunder by Grantee shall always and only be payable to the respective owner(s) of the Subject Property.

**VII. Confidentiality:** Grantor hereby warrants and represents that Grantor shall not disclose or publish in any form or fashion the amounts or details of the agreement reached between the parties herein, it being understood that such warranty and representation forms part of the consideration of this agreement.

TO HAVE AND TO HOLD said Surface Use Agreement and the rights and privileges granted hereunder unto the said Grantee, its successors and assigns, for so long as the same shall be useful, necessary, or convenient for the above named purposes by Grantee. This agreement may be assigned in whole by Grantee. Any assignee shall be bound by and subject to the terms and provisions of this Surface Use Agreement. Execution of this document shall operate as a knowing and specific waiver to all provisions of the New Mexico Surface Owner's Protection Act, 70-12 et al, NMSA 1978. Grantor and Grantee agree that this Surface Use Agreement will be the exclusive remedy between the parties as to the damages to the Subject Property attributable to Grantee's Oil and Gas Operations on the Subject Property.

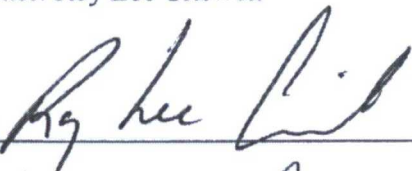
The terms, conditions and provisions hereof shall extend to and by binding upon the heirs, executors, administrators, personal representatives, successors and assigns of the parties hereto.

EXECUTED this 8 day of October, 2009

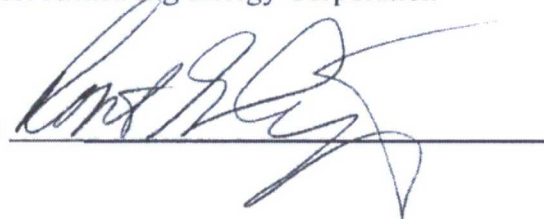
Grantor: Roy Lee Criswell

Grantee: Armstrong Energy Corporation

By:

A handwritten signature in cursive script, appearing to read "Roy Lee Criswell", written over a horizontal line.

By :

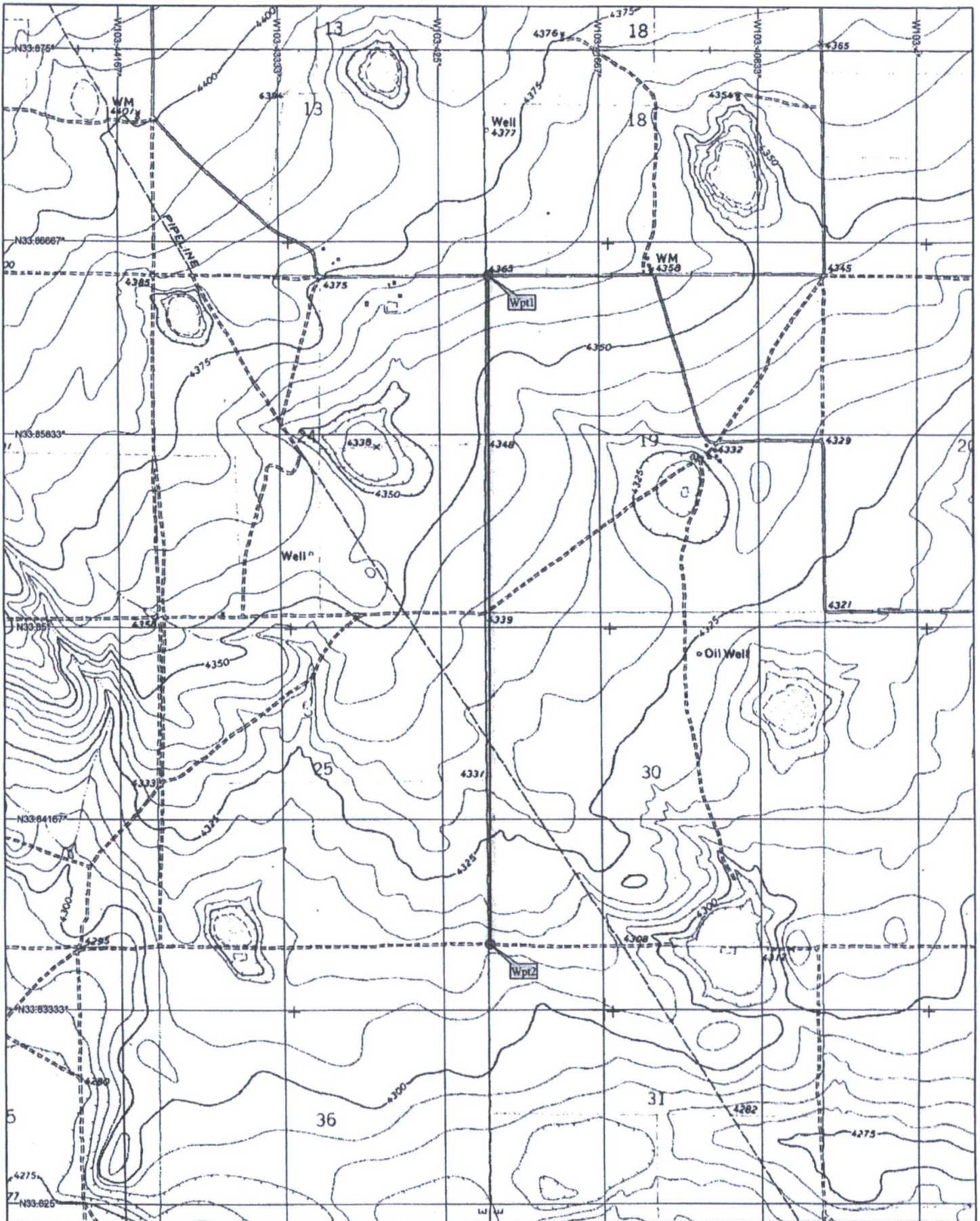
A handwritten signature in cursive script, appearing to be a stylized name, written over a horizontal line.

By:

A handwritten signature in cursive script, appearing to read "Wang Criswell", written over a horizontal line.



# Exhibit "A"







RECEIVED JAN 25 2011

500 North Main Street, Suite 200  
P.O. Box 1973  
Roswell, New Mexico 88202-1973  
(575) 625-2222  
Fax (575) 622-2512

RETURN

January 6, 2011

BY CERTIFIED MAIL

Mr. Roy Lee Criswell  
PO Box 35  
Pep, New Mexico 88126

Re: Surface Use Agreement dated October 8, 2009  
All Sec 9 and W/2 Sec 30, T5S, R34E, NMPM

Dear Roy Lee:

Under the captioned Surface Use Agreement, there is no provision for payment of damages to you for a drilling location on any of the described acreage. The Agreement provides for payment for new roadways, pipelines and power line construction. Since we have recently agreed to pay \$3,500.00 per location for any well drilled on this acreage, it is necessary to amend the Surface Use Agreement. Upon acceptance by you, Paragraph III of the Agreement is amended to read as follows:

**III . Drilling Locations/New Roadway/Pipeline/Power Line Construction:** Grantor shall grant the right to Grantee to construct drilling locations on the Subject Property. Grantee shall pay Grantor \$3,500.00 as compensation for each new drilling location on the Subject Property. Grantor shall grant the right to Grantee to construct new roadways on the Subject Property. Grantee shall compensate Grantor for the new roadways constructed on the Subject Property for which Grantor may prove lost access or lost use of the subject property. Compensation offered shall be \$22.00 per rod for damages, a rod being equal to sixteen and one half feet (16.5'). In addition, after the first well is completed that requires access through the road shown on Exhibit "A", Grantee will pay Grantor \$1,920.00 for damages for each additional well that is drilled, up to ten (10) wells in total, that require access through the road shown on Exhibit "A". Grantee shall have the right to construct (including the right to place materials suitable for roadway construction in the oilfield), use, maintain, inspect, repair and operate new roadways, not to exceed fourteen feet (14') in width. Said fourteen feet is to be measured from edge to edge of road surface constructed by Grantee. Grantee shall also have the right to clear and sue up to an additional four feet (4') on each side of an existing roadway surface for the construction and maintenance of bar ditches and other

**ARMSTRONG ENERGY CORPORATION**

water diversions, as well as an additional ten feet (10') limited to one side of an existing roadway, for turnouts as may be required for every 1,000' of an existing roadway.

Grantor shall grant the right to Grantee to construct new pipe lines and power lines on the Subject Property. Grantee shall compensate Grantor for new pipe lines or power lines constructed on the Subject Property for which Grantor may prove lost access or lost use of the subject property. Compensation offered shall be \$2.00 per rod for pipe line damages and \$1.00 per rod for power line damages, a rod being equal to sixteen and one half feet (16.5'). Grantee shall have the right to construct, use, maintain, inspect, repair and operate pipe lines and power lines. The land used for pipe lines shall not exceed twenty feet (20') in width and upon burial of any pipeline; the land shall be reclaimed as required by the NMOCD, with the exception of any required maintenance on access roads.

**If this amendment is satisfactory, please execute in the space provided below and return a copy to this office. You may retain the other copy for your records.**


Sincerely,

**ARMSTRONG ENERGY CORPORATION**

By:

  
Robert G. Armstrong, President

Accepted and agreed to the 18 day of January, 2011.

  
Roy Lee Criswell

*Remember, material used for Road or PAD will not  
be brought in!*



U.S. Department of the Interior  
BUREAU OF LAND MANAGEMENT

## PWD Data Report

06/01/2017

### Section 1 - General

Would you like to address long-term produced water disposal? YES

Water quality analysis:

PWD\_map\_04-24-2017.jpg

Average monthly evaporation (in.): 4

Average monthly precipitation (in.): 0.5

Do you have a Produced Water Management Plan? NEW

New PWD Plan Name: Liza Jane PWD

### Section 2 - Lined Pits

Would you like to utilize Lined Pit PWD options? NO

Produced Water Disposal (PWD) Location:

PWD surface owner:

PWD disturbance (acres):

Lined pit PWD on or off channel:

Lined pit PWD discharge volume (bbl/day):

Lined pit specifications:

Pit liner description:

Pit liner manufacturers information:

Precipitated solids disposal:

Describe precipitated solids disposal:

Precipitated solids disposal permit:

Lined pit precipitated solids disposal schedule:

Lined pit precipitated solids disposal schedule attachment:

Lined pit reclamation description:

Lined pit reclamation attachment:

Leak detection system description:

Leak detection system attachment:

Lined pit Monitor description:

Lined pit Monitor attachment:

Lined pit: do you have a reclamation bond for the pit?

Is the reclamation bond a rider under the BLM bond?

Lined pit bond number:

Lined pit bond amount:



Additional bond information attachment:

### Section 3 - Unlined Pits

Would you like to utilize Unlined Pit PWD options? NO

Produced Water Disposal (PWD) Location:

PWD surface owner:

PWD disturbance (acres):

Unlined pit PWD on or off channel:

Unlined pit PWD discharge volume (bbl/day):

Unlined pit specifications:

Precipitated solids disposal:

Describe precipitated solids disposal:

Precipitated solids disposal permit:

Unlined pit precipitated solids disposal schedule:

Unlined pit precipitated solids disposal schedule attachment:

Unlined pit reclamation description:

Unlined pit reclamation attachment:

Unlined pit Monitor description:

Unlined pit Monitor attachment:

Do you propose to put the produced water to beneficial use?

Beneficial use user confirmation:

Estimated depth of the shallowest aquifer (feet):

Does the produced water have an annual average Total Dissolved Solids (TDS) concentration equal to or less than that of the existing water to be protected?

TDS lab results:

Geologic and hydrologic evidence:

State authorization:

Unlined Produced Water Pit Estimated percolation:

Unlined pit: do you have a reclamation bond for the pit?

Is the reclamation bond a rider under the BLM bond?

Unlined pit bond number:

Unlined pit bond amount:

Additional bond information attachment:

### Section 4 - Injection

Would you like to utilize Injection PWD options? YES

Produced Water Disposal (PWD) Location: OFFLEASE

PWD surface owner: FEE

PWD disturbance (acres): 1

Injection PWD discharge volume (bbl/day): 20

Injection well mineral owner: FEE

**Injection well type:** EXISTING

**Injection well number:** 1

**Injection well name:** Dora Dean 24

**Assigned injection well API number?** Y

**Injection well API number:** 3004120938

**Injection well new surface disturbance (acres):** 0

**Minerals protection information:**

**Mineral protection attachment:**

**Underground Injection Control (UIC) Permit?** YES

**UIC Permit attachment:**

SWD\_1360\_Dora\_Dean\_24\_\_1\_04-24-2017.pdf

### Section 5 - Surface Discharge

**Would you like to utilize Surface Discharge PWD options?** NO

**Produced Water Disposal (PWD) Location:**

**PWD surface owner:**

**PWD disturbance (acres):**

**Surface discharge PWD discharge volume (bbl/day):**

**Surface Discharge NPDES Permit?**

**Surface Discharge NPDES Permit attachment:**

**Surface Discharge site facilities information:**

**Surface discharge site facilities map:**

### Section 6 - Other

**Would you like to utilize Other PWD options?** NO

**Produced Water Disposal (PWD) Location:**

**PWD surface owner:**

**PWD disturbance (acres):**

**Other PWD discharge volume (bbl/day):**

**Other PWD type description:**

**Other PWD type attachment:**

**Have other regulatory requirements been met?**

**Other regulatory requirements attachment:**



State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**John Bemis**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey**  
Division Director  
Oil Conservation Division



Administrative Order SWD-1360  
October 20, 2012

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Under the provisions of 19.15.26.8B NMAC, Armstrong Energy Corporation seeks an administrative order to utilize its Dora Dean 24 Well No. 1 (API 30-041-20938) located 990 feet from the North line and 1700 feet from the East line, Unit letter B of Section 24, Township 5 South, Range 33 East, NMPM, Roosevelt County, New Mexico, for produced water disposal purposes.

**THE DIVISION DIRECTOR FINDS THAT:**

The application has been duly filed under the provisions of 19.15.26.8B NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in 19.15.26.8 NMAC have been met and the operator is in compliance with 19.15.5.9 NMAC.

**IT IS THEREFORE ORDERED THAT:**

The applicant, Armstrong Energy Corporation, is hereby authorized to utilize its Dora Dean 24 Well No. 1 (API 30-041-20938) located 990 feet from the North line and 1700 feet from the East line, Unit letter B of Section 24, Township 5 South, Range 33 East, NMPM, Roosevelt County, New Mexico, for disposal of oil field produced water (UIC Class II only) into the Fusselman formation through perforations and open hole from 8212 feet to 8515 feet through internally coated tubing and a packer set within 100 feet of the permitted interval.

**IT IS FURTHER ORDERED THAT:**

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially

commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT testing procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to **no more than 1642 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate-Test.

The operator shall notify the supervisor of the Division's district office of the date and time of the installation of disposal equipment and of any MIT test so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon division approval. The division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

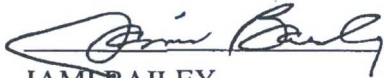
The division may revoke this injection permit after notice and hearing if the operator is in violation of 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate two years after the effective date of this order if the operator has not commenced injection operations into the subject well. One year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.



Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.



JAMI BAILEY  
Director

JB/wvjj

cc: Oil Conservation Division – Hobbs District Office



U.S. Department of the Interior  
BUREAU OF LAND MANAGEMENT

## Bond Info Data Report

06/01/2017

### Bond Information

Federal/Indian APD: FED

BLM Bond number: NM1826

BIA Bond number:

Do you have a reclamation bond? YES

Is the reclamation bond a rider under the BLM bond? YES

Is the reclamation bond BLM or Forest Service? BLM

BLM reclamation bond number:

Forest Service reclamation bond number:

Forest Service reclamation bond attachment:

Reclamation bond number:

Reclamation bond amount:

Reclamation bond rider amount:   \$ 25,000

Additional reclamation bond information attachment: