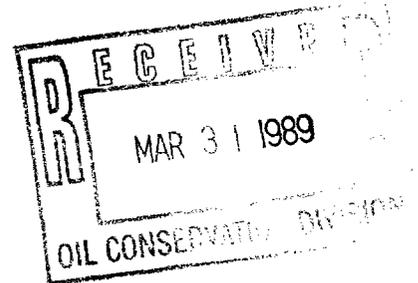


BLACKWOOD & NICHOLS Co., LTD.  
P.O. BOX 1237  
DURANGO, COLORADO 81302-1237  
(303) 247-0728

*HS03*  
*SWD-366*

March 28, 1989



*SWD-FILL*

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

Attention: Dave Catanach

Gentlemen:

Enclosed are copies of executed agreements between Blackwood & Nichols Co., Ltd. and Mr. Reginaldo Espinosa. These agreements concern surface damages on the Northeast Blanco Unit Well Nos. 502 and 503. These proposed water disposal wells are located on State of New Mexico land on which Mr. Espinosa holds grazing permits.

Please address any further questions to Carl Matthews of the above address and phone number.

Sincerely,

BLACKWOOD & NICHOLS CO., LTD.

*Carl E. Matthews*  
Carl E. Matthews

CEM:ew

Enclosures

Surface Damage Agreement

The undersigned, MR. REGINALDO ESPINOZA (Grantor), who currently holds grazing lease number GM-1306 from the State of New Mexico which includes the S 1/2 of Section 36, Township 31 North, Range 8 West, N.M.P.M., San Juan County, New Mexico, for valuable consideration, the receipt of which is hereby acknowledged, hereby grants, bargains, sells, and conveys unto BLACKWOOD & NICHOLS CO., LTD., a Limited Partnership (Grantee), a release for surface damages from said land leased by them for the purpose of drilling a well, NEBU No. 503, for the production of liquid hydrocarbons and natural gas and the products herefrom or water disposal, the site for said well to contain an area of land approximately 500 feet by 500 feet containing 5.74 acres more or less from a point around 990' FSL, 1600' FWL, Section 36, Township 31 North, Range 8 West, together with ingress and egress hereto over, along and across from the existing road to the individual well's location.

It is understood that Grantee is to maintain the area described above in a clean, orderly manner, with any open pits on said locations to be properly fenced or filled as is deemed necessary. Grantee, its heirs, executors, administrators, and assigns, shall have the right of ingress and egress to the location area and the right to enter upon, explore, drill, develop, complete, operate, maintain, and occupy such easement area for the production of liquid hydrocarbons and gas for the storing, transporting, and marketing of same, including the right to lay, maintain, and operate pipelines for the transportation of liquid hydrocarbons and natural gas, water or all of them, produced from said lands or to inject produced water for disposal purposes.

Grantee shall have the right to remove, at any time, any and all property and improvements placed or erected on said land by Grantee or its assigns, including the right to pull and remove all casing. All such rights shall be exercised by Grantee in such a manner as not to interfere with any of Grantor's improvements on the lands, and upon such removal, Grantee shall leave the lands in good and orderly condition, and shall plant the area so granted herein in Bureau of Land Management seed mixture Number 2.

IN WITNESS WHEREOF, I have hereunto set my hands this 28th day of February, 1989.

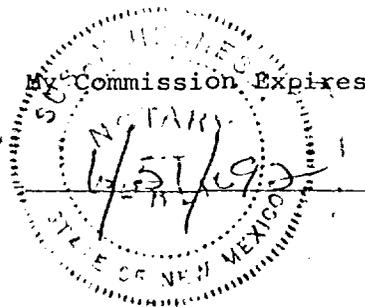
Reginaldo Espinoza  
Reginaldo Espinoza

State of New Mexico)  
Santa Fe,  
County of San Juan)

The foregoing instrument was acknowledged before me this 28th day of Feb, 1989 by \_\_\_\_\_.

Susan Hennessy  
Notary Public

My Commission Expires:



FILED OR RECORDED  
BOOK 1100 PAGE 211  
SAN JUAN COUNTY, NEW MEXICO

MAR 09 1989

AT 11:47 O'CLOCK A M

Carel Bandy  
COUNTY CLERK  
Larry Headlam  
DEPUTY  
Rm # 2014689 Jeep 500

