

1R - 427-87

**GENERAL
CORRESPONDENCE**

YEAR(S):

2007

RICE Operating Company

122 West Taylor • Hobbs, New Mexico 88240
Phone: (505)393-9174 • Fax: (505) 397-1471

March 7, 2007

Mr. Chris Williams
New Mexico Energy, Minerals, & Natural Resources
Oil Conservation Division, District I Office
1625 N. French Drive
Hobbs, New Mexico 88240

COPY

**RE: Form C-103 (Environmental Notice)
H-20 SWD site
Eunice-Monument-Eumont (EME) SWD System
Unit 'H', Sec. 20, T20S, R37E**

180427-87

Mr. Williams:

Rice Operating Company (ROC) notifies the Oil Conservation Division (OCD) District I Supervisor of upcoming environmental delineation and remediation activities at the above-referenced site. ROC anticipates this work to begin next week; OCD will be notified 48 hours prior to all significant events. ROC intends to close the redwood tanks and pit locations under the OCD-approved generic plans, "Closure Plan for Below-Grade Redwood Tanks" and "Closure Plan for Permitted Emergency Pits."

ROC is the service provider (agent) for the EME Salt Water Disposal System and has no ownership of any portion of the pipelines, wells, or facilities. The EME System is owned by a consortium of oil producers, System Partners, who provide all operating capital on a percentage ownership/usage basis. Environmental remediation projects of this magnitude require System Partner AFE approval and work begins as funds are received.

Please accept this notification and C-103 package for this site. Should you have any questions or concerns regarding this site, please do not hesitate to contact me.

RICE OPERATING COMPANY



Kristin Farris Pope
Project Scientist

enclosures: as stated

cc: SC, CDH, file,

Mr. Wayne Price, Env. Bureau Chief
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

2007 MAR 12 11 24 AM

District I 1625 N. French Dr., Hobbs, NM 88240
District II 1301 W. Grand Ave., Artesia, NM 88210
District III 1000 Rio Brazos Rd., Aztec, NM 87410
District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, NM 87505

WELL API NO. 30-025-12800-00-00
5. Indicate Type of Lease STATE [X] FEE []
6. State Oil & Gas Lease No. SWD 0067

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)
1. Type of Well: Oil Well [] Gas Well [] Other SWD WELL

7. Lease Name or Unit Agreement Name Eunice Monument Eumont (EME) SWD System
8. Well Number H-20

2. Name of Operator RICE OPERATING COMPANY

9. OGRID Number

3. Address of Operator 122 W. TAYLOR ST., HOBBS, NM 88240

10. Pool name or Wildcat SAN ANDRES

4. Well Location Unit Letter H : 2475 feet from the NORTH line and 165 feet from the EAST line Section 20 Township 20S Range 37E NMPM County LEA

11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3510 GR

Pit or Below-grade Tank Application [] or Closure [X]
Pit type: SWD Emergency Overflow Depth to Groundwater: 30 ft Distance from nearest fresh water well: 2640 ft
Distance from nearest surface water: >1000 ft Pit Liner Thickness: n/a mil Below-Grade Tank: Volume 850 each (2 tanks) bbls;
Construction Material: Redwood

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK [] PLUG AND ABANDON []
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []
OTHER: Close Redwood Tanks & Emergency Overflow Pit [X]

SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A []
CASING/CEMENT JOB []
OTHER: []

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Proposed work at SWD site according to NMOCD-approved generic plans, "Closure Plan for Below-Grade Redwood Tanks" and "Closure Plan for Permitted Emergency Pits" (revised 2/23/2000): Delineate constituents of concern, remove redwood tanks, clean up and upgrade location pursuant to generic plans. All major events will be coordinated to allow 48 hours notice to NMOCD. Pit permit # H-74.

The USGS groundwater database lists a water well located in unit 'O' of Sec. 20, T20S, R37E, which is approx. 1400 ft S-SE of the H-20 facility. Field check revealed no water sources within 100 ft of site.

Site Assessment Criteria:

Depth to groundwater = 22.5 ft No water source <1000 ft = 0 Surface water body >1000 ft = 0
RANKING SCORE = 20

Enclosed: driving directions, Generic Closure Plan, pit permit, lease summary, pit inventory form, current photos, site profile summary, facility diagram

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [], a general permit [] or an (attached) alternative OCD-approved plan [X].

SIGNATURE Kristin Farris Pope TITLE Project Scientist DATE 3-7-2007
Type or print name Kristin Farris Pope E-mail address: kpope@riceswd.com Telephone No. (505) 393-9174

For State Use Only

APPROVED BY: TITLE DATE
Conditions of Approval (if any):

Environmental Closure of Permitted Overflow Pits and Below-Grade Redwood Tanks

ROC was informed by the NMOCD that all emergency overflow pits and below-grade redwood tanks located in New Mexico would require bonding under NM Rule 711 unless action was taken to properly close these sites. ROC responded with generic work plans outlining the closure procedure that would be used at these sites. NMOCD approved these generic plans.

For closure of permitted below-grade tank sites and overflow pits in Texas, the procedure detailed in the RRC Pit Permit must be followed.

Landowners are notified that remediation/upgrade work is planned at the lease site.

All closure activities concerning closure of emergency overflow pits and below grade tanks are conducted pursuant to regulatory guidelines.

The Closure Plan for Below Grade Redwood Tanks and the Closure Plan for Permitted Emergency Pits detail the order of activities.

REVISED

4-23-99

2-23-00

Closure Plan for Below Grade Redwood Tank

1. Submit C-103 form to NMOCD along with the site-specific location, site assessment, work plan, time schedule, sampling and testing plan, etc., all pursuant to NMOCD guidelines.
2. Procure soil samples from 3' below bottom of tanks (9-11' below grade) at tank sides.
 - A. If soil samples are < 100ppm TPH and < 250ppm Chlorides, proceed to Step 4.
 - B. If soil samples are > 100ppm THP or > 250ppm Chlorides, proceed to Step 3.
3. Delineate any portion of tank site that is > 100ppm TPH or > 250ppm Chlorides with a backhoe or soil boring machine, obtaining samples for field and lab analysis at 5' intervals.
 - A. When field analysis of bored-sample determines < 100ppm TPH and < 250ppm Cl, boring will be suspended pending laboratory analysis confirmation. Proceed to Step 4.
 - B. If these parameter levels are not identified, then boring and sampling will continue to ground water. Upon reaching groundwater, the borehole will be cased and developed. Ground water samples will be procured and tested for major cations and anions, TDS and BETX levels. If ground water is found to exceed the WQCC standards, NMOCD will be notified immediately and the closure plan will move into Rule 19 procedures.
4. Write AFE to System Partners as directed by results of delineation of redwood tank site and of emergency pit (if both are at facility). Await approval and funding for site closing.
5. Move onto SWD facility site with temporary tank system. Re-route fluid flow from below grade redwood tanks into the temporary tank system. Plumb to SWD well.
6. Empty and clean redwood tanks, properly disposing of any BS & W. Excavate sides of redwood tanks to allow for working space to manipulate tank support banding. Remove redwood tanks reserving boards for proper disposal.
7. Excavate ramp into redwood tank hole. Remove and properly dispose of concrete base if impacted. If concrete is not impacted, use as fill (below plow depth) in excavation area.
8. Remove impacted soil (as practical) to eliminate hot spots; dispose per NMOCD guidelines.
9. Procure random 5-point composite bottom sample from 3' below tank bottom and random 4-point composite side sample for lab TPH, Benzene, and BTEX testing.
 - A. If <100ppm TPH; BTEX, Benzene <10ppm; <250ppm Chlorides; proceed to Step 11.
 - B. If >100ppm TPH; BTEX, Benzene >10ppm; >250ppm Chlorides; in the vadose zone but not reaching groundwater, proceed to Step 10.
10. Evaluate site for risk assessment: delineate to assess depth and horizontal extent of impact corresponding to NMOCD guidelines for site assessment value; excavate bottom and sides as practical to minimize risk; install compacted clay liner to meet or exceed 95% of a Proctor Test ASTM-D-698 with permeability (hydraulic conductivity) equal or less than 1×10^{-7} cm/sec for containment/isolation of impact.
11. Discuss results/risk assessment with NMOCD for verbal approval to proceed with backfill/installation of new tanks and plumbing within engineered secondary containment system.
12. Apply to NMOCD for closure of redwood tank site per NMOCD guidelines and site results.

REVISED

4-23-99

2-23-00

Closure Plan for Permitted Emergency Pits

1. Submit C-103 form to NMOCD along with the site-specific location, site assessment, work plan, time schedule, sampling and testing plan, etc., all pursuant to NMOCD guidelines.
2. Remove and properly dispose of visibly contaminated soil pursuant to NMOCD guidelines.
3. Procure soil samples from surface and 3' below excavation bottom and excavation sides.
 - A. If soil samples are < 100ppm TPH and < 250ppm Chlorides, proceed to Step 6.
 - B. If soil samples are > 100ppm THP or > 250ppm Chlorides, proceed to Step 4.
4. Delineate any portion of excavation that is > 100ppm TPH or > 250ppm Chlorides with a backhoe or soil boring machine, obtaining samples for field and lab analysis at 5' intervals.
 - A. When field analysis of bored-sample determines < 100ppm TPH and < 250ppm Cl, boring will be suspended pending laboratory analysis confirmation. Proceed to Step 5.
 - B. If these parameter levels are not identified, then boring and sampling will continue to ground water. Upon reaching groundwater, the borehole will be cased and developed. Ground water samples will be procured and tested for major cations and anions, TDS and BTEX levels. If ground water is found to exceed the WQCC standards, NMOCD will be notified immediately and the closure plan will move into Rule 19 procedures.
5. Write AFE to System Partners as directed by results of delineation of redwood tank site and of emergency pit (if both are at facility). Await approval and funding for site closing
6. Remove impacted soil (as practical) to eliminate hot spots; dispose per NMOCD guidelines.
7. Procure random 5-point composite bottom sample and random 4-point composite side sample for laboratory TPH, Benzene, and BTEX testing.
 - A. If <100ppm TPH; BTEX, Benzene <10ppm; <250ppm Chlorides; proceed to Step 9.
 - B. If >100ppm TPH; BTEX, Benzene >10ppm; >250ppm Chlorides; in the vadose zone but not reaching groundwater, proceed to Step 8.
8. Evaluate site for risk assessment: delineate to assess depth and horizontal extent of impact corresponding to NMOCD guidelines for site assessment value; excavate bottom and sides as practical to minimize risk; install compacted clay liner to meet or exceed 95% of a Proctor Test ASTM-D-698 with permeability (hydraulic conductivity) equal or less than 1×10^{-7} cm/sec for containment/isolation of impact.
9. Discuss results/risk assessment with NMOCD for verbal approval to proceed with backfill.
10. Apply to NMOCD for closure of permitted emergency pit site per NMOCD guidelines and site results.

RICE Operating Company

122 W. Taylor St. • Hobbs, New Mexico 88240
Phone: (505) 393-9174 • Fax: (505) 397-1471

SITE PROFILE

Location

The H-20 Facility is part of the Eunice-Monument-Eumont (EME) Salt Water Disposal (SWD) System located approximately 4 miles south of Monument, New Mexico. The site is located in unit letter 'H', section 20, Township 20 South, Range 37 East.

Site History

The site is a collection center for produced water from oil and gas leases in the area for disposal by injection into a associated and permitted SWD well. The facility included two 28 ft diameter below-grade redwood tanks and a permitted emergency overflow pit that was used for emergency capacity.

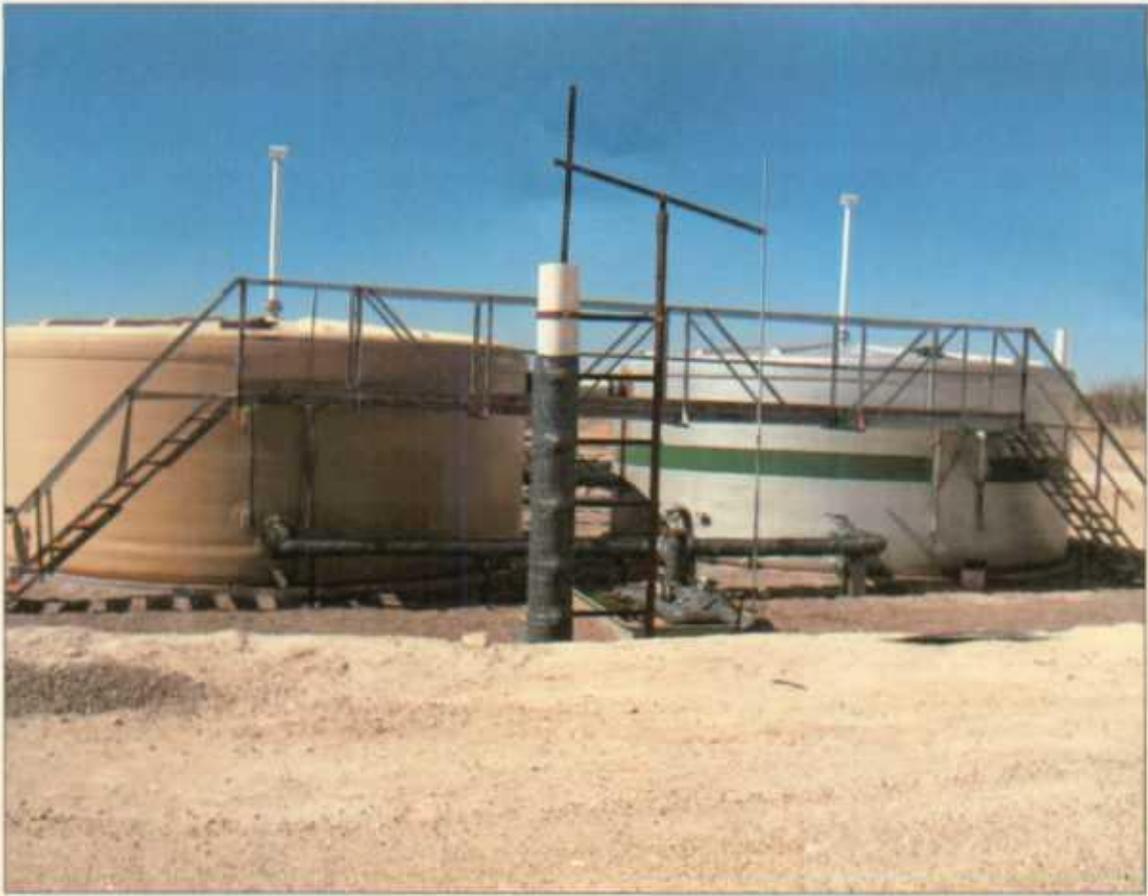
The facility upgrade was completed in 2006. The redwood tanks were removed and 2 new fiberglass tanks (one for production, one for overflow) are located approximately 120 ft west of the former tanks. A 3-ft bermed perimeter lined with 40-mil polyethylene provides secondary containment.

Land Use

The H-20 SWD facility is located on New Mexico State Lands (lease SWD-067). The site is located near the convergence of the physiographic subdivisions referred to as the Eunice Plain and the Laguna Valley. Local landscape is dominated by eolian dune sands which drift locally. The overall topography is unremarkable: a generally flat, treeless plain dominated by short grasses. Land use primarily consists of cattle grazing and oil and gas production.

Distance to Groundwater and Surface Water

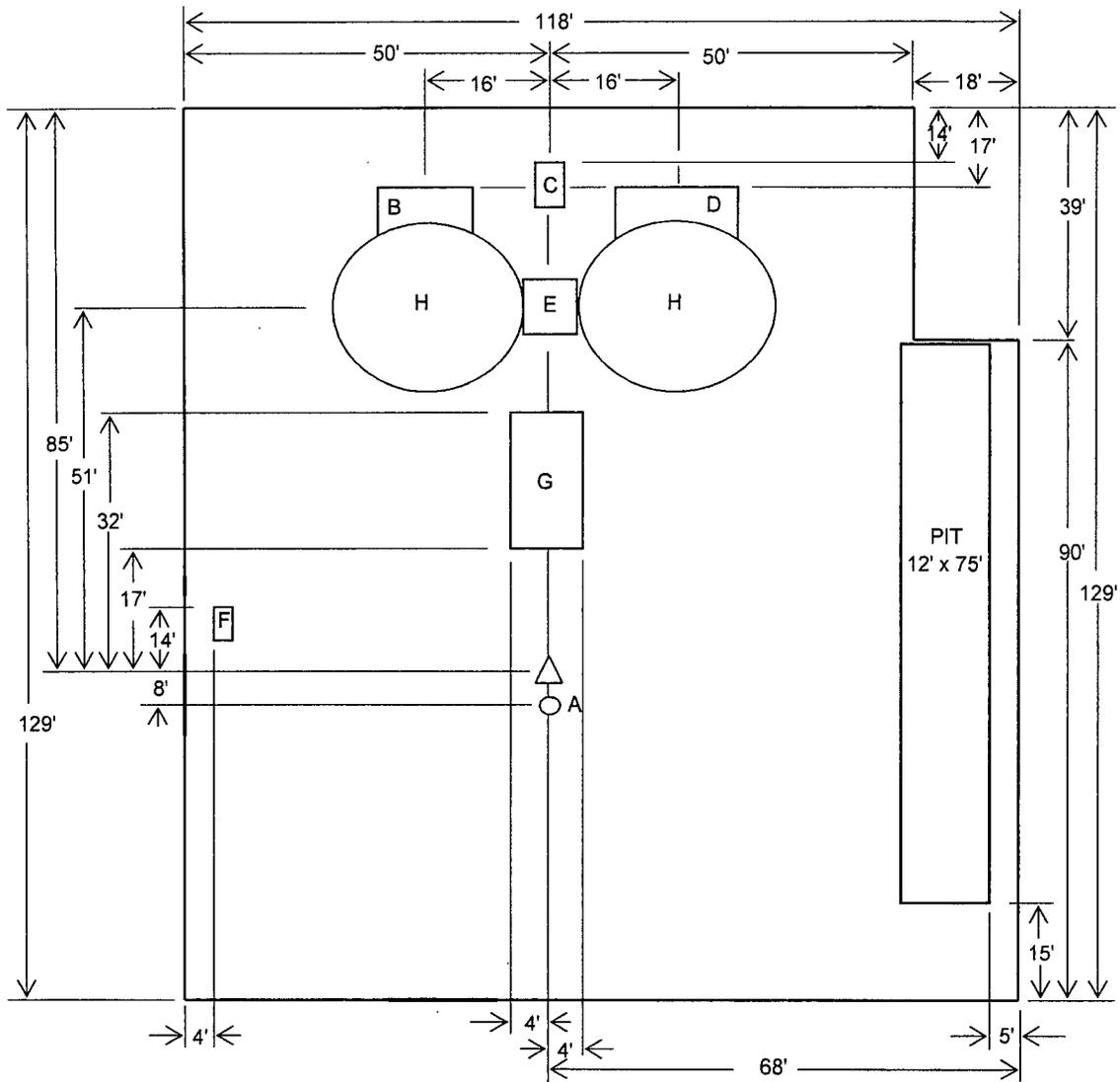
There are no surface waters located within 1000 ft of the facility. An inactive water well registered with the U.S. Geological Survey is located in unit 'O', section 20, T20S, R37E, approximately 1400 ft South-Southeast of the H-20 site. Depth to groundwater was measured 22.5 ft in this well.



new EME H-20 SWD facility

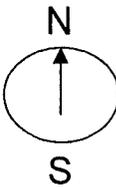
February 20, 2007





LEGEND

- A - 165 GALLON ANNULUS TANK
- B - JCT BOX 4' x 11'
- C - JCT BOX 4' x 7'
- D - JCT BOX 4' x 14'
- E - JCT BOX 5' x 6'
- F - ALARM
- G - METER PIT
- H - 2 - 28'DIA x 8'HIGH REDWOOD TANKS



RICE OPERATING COMPANY
 122 WEST TAYLOR
 HOBBS, NEW MEXICO 88240
 (505) 393-9174

SPCC
 FACILITY IDENTIFICATION

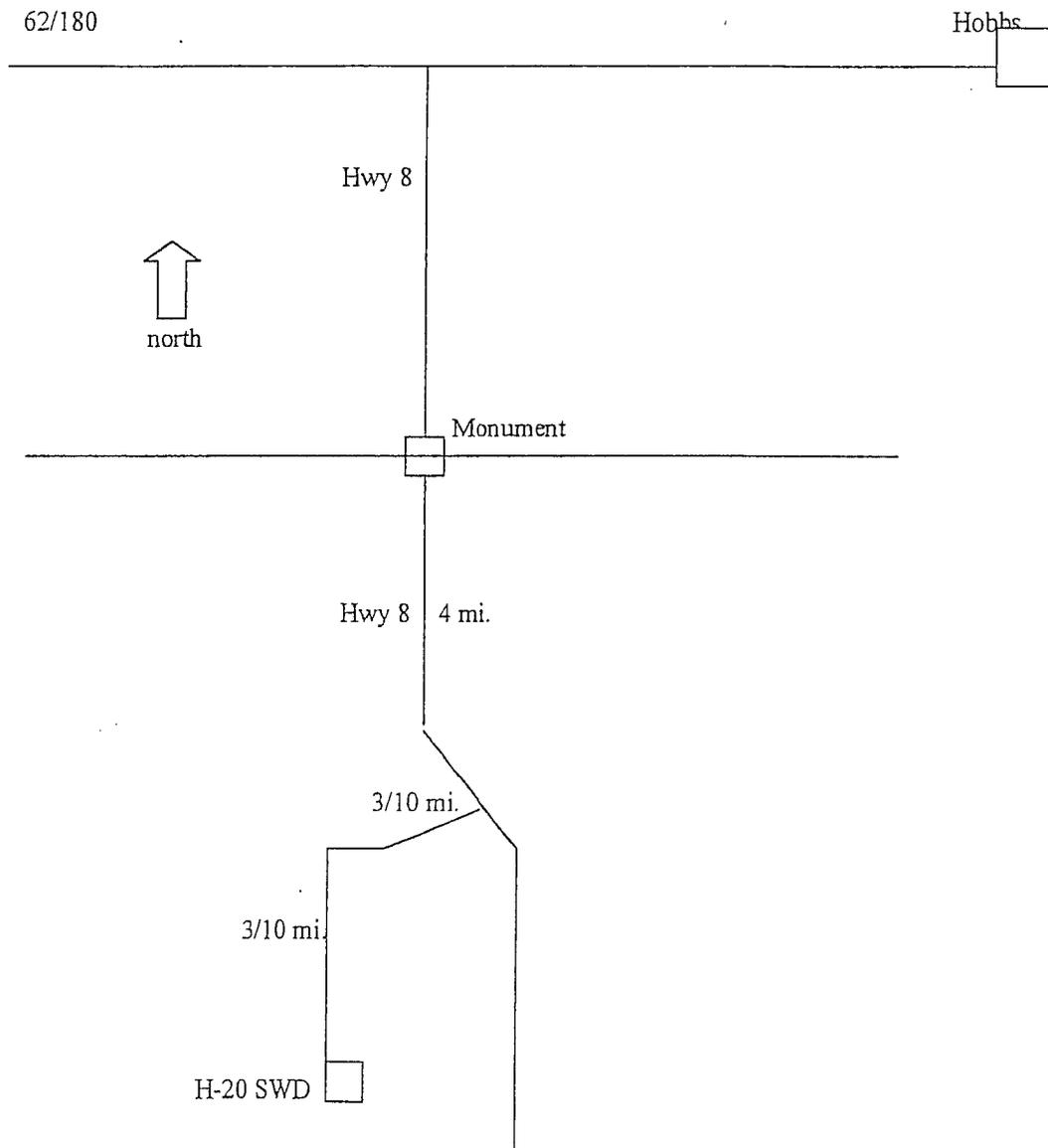
DISPOSAL FACILITY
 EME SWD WELL H-20
 UNIT LETTER H, SEC.20,T20S,R37E
 LEA COUNTY, NEW MEXICO

SYSTEM: E.M.E.

WELL: H-20

LEGALS: SEC. 20 - T20S - R37E

From junction of hwy 322 and hwy 8 in monument go south on hwy 8 for 4.0 miles. Turn right at cattle guard and go 3/10 miles west. Turn left and go to location.



Submit 4 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-134
Aug. 1, 1989

H-20

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

OIL CONSERVATION DIVISION

P.O. Box 2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

Santa Fe, New Mexico 87504-2088

Permit No. H-74
(For Division Use Only)

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

APPLICATION FOR EXCEPTION TO DIVISION ORDER R-8952
FOR PROTECTION OF MIGRATORY BIRDS Rule 8(b), Rule 105(b), Rule 312(h), Rule 313, or Rule 711(I)

Operator Name: Rice Engineering Corporation

Operator Address: 122 W. Taylor, Hobbs, New Mexico 88240

Lease or Facility Name E-M-E SWD System Well H-20 Location H 20 20S 37E
Ut. Ltr. Sec. Twp. Rge

Size of pit or tank: 68'x15'x7' deep, approx. 1300 bbls.

Operator requests exception from the requirement to screen, net or cover the pit or tank at the above-described facility.

X The pit or tank is not hazardous to migratory waterfowl. Describe completely the reason pit is non-hazardous.
The pit is used only in emergencies such as major well remedial work.
Normally kept empty.

1) If any oil or hydrocarbons should reach this facility give method and time required for removal:

Method: Vacuum truck

Time: Within 24 hrs. of discovery

2) If any oil or hydrocarbons reach the above-described facility the operator is required to notify the appropriate District Office of the OCD with 24 hours.

Operator proposes the following alternate protective measures: _____

CERTIFICATION BY OPERATOR: I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature S. A. Haktanir Title Division Manager Date July 25, 1990

Printed Name S. A. Haktanir Telephone No. 393-9174

FOR OIL CONSERVATION DIVISION USE

Date Facility Inspected 8/2/90

Inspected by RA Sadler

Approved by Eddie W. [Signature]

Title OIL & GAS DIVISION

Date _____

District I - (505) 393-6161
P. O. Box 1980
Hobbs, NM 88241-1980
District II - (505) 748-1283
811 S. First
Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Road
Aster, NM 87410
District IV - (505) 827-7131

New Mexico
Energy Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

Originated 6/27/97

Submit Original
Plus 1 Copy
to Santa Fe

PIT INVENTORY FORM

Operator: RICE OPERATING COMPANY

Address: 122 WEST TAYLOR
Hobbs, New Mexico 88240

Phone Number: (505) 393-9174

Previous Operator(s): None

Is the pit permitted: Yes No

Unit Letter: H Section: 20 Township: 20S Range: 37E

County: Lea County

Location Name: Eunice-Monument-Eumont Salt Water Disposal Well H-20

Number of wells to the pit: System Terminal Tanks (Varies)

Are the wells to the pit operated by one operator or multiple operators

Total daily volume (in barrels) to the pit: 2,200

Pit Type: 2-below ground redwood terminal tanks
(Emergency, Production, Workover, Reserve/Drilling (greater than 6 months old), Flare, Blowdown, Separator, Dehydration, Line Drop, BS&W/Tank Bottoms, Compressor Piggings, Washdowns, or other)

What types of wastes are accepted in the pit (Exempt, Non-exempt, Both, None): Exempt (production water)

Pit age (years): 35

Is the pit lined or unlined

Type of liner (None, Synthetic, Clay): Redwood tank resting on concrete pad

Is leak detection present: Yes No Observation boxes around tanks

Is the pit netted: Yes No Covered with redwood top

Pit dimensions (LxWxD): tw0'-28'diaX8'ht

CERTIFICATION

I hereby certify that the information submitted is true and correct to the best of my knowledge and belief.

Name: Roger Hall Title: Operations Engineer

Signature: Roger Hall Date: 10/30/97

A pit is defined as any below grade or surface feature which receives any materials other than fresh water.

District I - (505) 393-6161
P.O. Box 1980
Hobbs, NM 88241-1980
District II - (505) 748-1283
811 S. First
Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Road
Aztec, NM 87410
District IV - (505) 827-7131

New Mexico
Energy Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

Originated 6/27/97

Submit Original
Plus 1 Copy
to Santa Fe

PIT INVENTORY FORM

Operator: RICE OPERATING COMPANY

Address: 122 WEST TAYLOR
HOBBS, NEW MEXICO 88240

Phone Number: (505) 393-9174

Previous Operator(s): None

Is the pit permitted: Yes No

Unit Letter: H Section: 20 Township: 20S Range: 37E

County: Lea

Location Name: EME Salt Water Disposal System Well H-20

Number of wells to the pit: 1

Are the wells to the pit operated by one operator or multiple operators

Total daily volume (in barrels) to the pit: None

Pit Type: Emergency

(Emergency, Production, Workover, Reserve/Drilling (greater than 6 months old), Flare, Blowdown, Separator, Dehydrator, Line Drip, BSG/W/Tank Bottoms, Compressor, Pigging, Washdown, or other)

What types of wastes are accepted in the pit (Exempt, Non-exempt, Both, None): Exempt (p roduction water)

Pit age (years): 35

Is the pit lined or unlined

Type of liner (None, Synthetic, Clay): None

Is leak detection present: Yes No

Is the pit netted: Yes No

Pit dimensions (LxWxD): 68'X15'X7'

CERTIFICATION

I hereby certify that the information submitted is true and correct to the best of my knowledge and belief.

Name: Roger Hall Title: Operations Engineer

Signature: Roger Hall Date: 10/28/97

LEASE SUMMARY

System: EME SWD SYSTEM WELL H-20
SEC-TNSP-RNG: Sec 20-T20S-R37E
Lease No. SWD-067
Salt Water Disposal Easement

Start Date: Mar 3rd, 97
End Date: Mar 3rd, 99
Lease Term: Two years
Fee Due Annually

Lessor State of New Mexico
Address Commissioner of Public Lands
State Land Office
P.O. Box 1148
Santa Fe, NM 87504-1148

Total Cost \$1030
Annual Pmt \$530 (\$30 App. Fee)
Per ~~Bbl~~ ACRE \$200/ACRE - 2 1/2 Acres

Description: Attached below

COMMENTS: The facility has 2 below-grade redwood terminal tanks
and an emergency overflow pit.

Description:
All that certain parcel or tract of land in the NE/4 of Section 20, Township 20 South, Range 37 East, Lea County, New Mexico, being fully described as follows:
Beginning at a point 2310 feet South 0° 05' East of the Northeast corner of Section 20, which is the Northeast corner of this tract; thence South 330 feet to a point, the Southeast corner of this tract; thence West 330 feet to a point, the Southwest corner of this tract; thence North 330 feet to a point, the Northwest corner of this tract; thence East 330 feet to the place of beginning, said tract contains 2 1/2 acres, more or less.



NEW MEXICO STATE LAND OFFICE

SALT WATER DISPOSAL EASEMENT

SALT WATER DISPOSAL
EASEMENT NO. **SWD-067**

2006 MAY 9 PM 7 59
STATE LAND OFFICE
SANTA FE, N.M.

THIS AGREEMENT, dated this 3rd day of March, 2006, made and entered into between the State of New Mexico, acting by and through the undersigned, its Commissioner of Public Lands, hereinafter called the grantor, and Rice Operating Company of 122 W. Taylor, Hobbs, NM 88240, hereinafter called the grantee,

WITNESSETH:

THAT, whereas, the said grantee has filed in the Land Office an application for salt water disposal easement and has tendered the sum of \$500.00, together with the sum of \$30.00 application fee;

NOW, THEREFORE, in consideration of the foregoing tender, receipt of which is acknowledged, and the covenants herein, grantor does grant to the grantee a salt water disposal easement for the sole and only purpose of underground disposal of salt water produced in connection with oil and gas operations, together with the right to make sure reasonable use of the land as may be necessary to dispose of said salt water. Said easement shall cover the following described lands:

INSTITUTION	SECTION	TOWNSHIP	RANGE	SUBDIVISION	ACRES
C.S.	20	20 South	37 East	Portion Within SE ¹ / ₄ NE ¹ / ₄	2.5

TO HAVE AND TO HOLD said lands and privileges hereunder for a term of one year from the date first above written, subject to all terms and conditions hereinafter set forth:

1. Grantee shall pay the grantor the sum of \$500.00 annually, in advance.
2. With the consent of the grantor and payment of a fee of \$30.00, the grantee may surrender or relinquish this salt water disposal easement to the grantor; provided, however, that this surrender clause shall become absolutely inoperative immediately and concurrently with the filing of any suit in any court or law or equity by the grantor or grantee or any assignee to enforce any of the terms of this salt water disposal easement.
3. The grantee, with the prior written consent of the grantor, may assign his salt water disposal easement in whole only. Upon approval of the assignment, in writing, by the grantor, the grantee shall stand relieved from all obligations to the grantor with respect to the lands embraced in the assignment, and the grantor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts

and shall be held to have assumed all of the duties and obligations of the assignor to the grantor as to such tracts.

4. The grantor may cancel this salt water disposal easement for non-payment of annual consideration or for violation of any of the terms and covenants hereof; provided, however, that before any such cancellation shall be made, the grantor must mail to the grantee or assignee, by registered mail, addressed to the post office address of such grantee or assignee, shown by the records, a thirty-day notice of intention to cancel said salt water disposal easement is subject to cancellation. No proof of receipt of notice shall be necessary and thirty days after such mailing, the grantor may enter cancellation unless the grantee shall have sooner remedied the default.

5. The grantee shall furnish copies of records and such reports and plats of his operations, including any and all data relating to geological formations, as the grantor may reasonably deem necessary to his administration of the lands.

6. Grantee may make or place such improvements and equipment upon the land as may reasonably be necessary to dispose of salt water, and upon termination of this salt water disposal easement for any reason, grantee may remove such improvements and equipment as can be removed without material injury to the premises; provided, however that all sums due the grantor have been paid and that such removal is accomplished within one year of the termination date or before such earlier date as the grantor may set upon thirty days written notice to the grantee. All improvements and equipment remaining upon the premises after the removal date, as set in accordance with this paragraph, shall be forfeited to the grantor without compensation. All pipelines constructed hereunder shall be buried below plow depth.

7. This salt water disposal easement is made subject to all the provisions and requirements applicable thereto which are to be found in various acts of the legislature of New Mexico and the rules of the Commissioner of Public Lands of the State of New Mexico, the same as though they were fully set forth herein, and said laws and rules, so far as applicable to this salt water disposal easement, are to be taken as a part hereof.

8. All the obligations, covenants, agreements, rights and privileges of this salt water disposal easement shall extend to and be binding and inure to the benefit of the lawful and recognized assigns or successors in interest of the parties hereof.

9. Grantee shall post with grantor a bond or undertaking in an amount required by grantor in favor of the owner of improvements lawfully located upon the lands herein to secure payment of damage, if any, done to such improvements by reason of grantee's operations.

10. Payment of all sums due hereunder shall be made at the office of the Commissioner of Public Lands, 310 Old Santa Fe Trail, P.O. Box 1148, Santa Fe, New Mexico 87504-1148.

11. Grantee, including his heirs, assigns, agents, and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances, and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health

and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire, and ecology. Such agencies are not to be deemed third party beneficiaries hereunder; however, this clause is enforceable by the grantor as herein provided or as otherwise permitted by law.

12. Grantee shall save and hold harmless, indemnify and defend the State of New Mexico, the Commissioner of Public Lands, and his agent or agents, in their official and individual capacities, of and from any and all liability claims, losses, or damages, arising out of or alleged to arise out of or indirectly connected with the operations of grantee hereunder, off or on the herein above described lands, or the presence on said lands of any agent, contractor or sub-contractor of grantee.

AFFIRMATION OF GEOLOGIC, ENGINEERING & HYDROLOGIC INVESTIGATION: I hereby affirm that the available geologic and engineering data have been examined and no evidence has been found of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

IN WITNESS WHEREOF, the State of New Mexico has hereunto signed and caused its name to be signed by its Commissioner of Public Lands, thereunto duly authorized with the seal of his office affixed, and the grantee has signed this agreement to be effective the day and year above written.

APR 9 AM 7 59
STATE LAND OFFICE
SANTA FE, N.M.

STATE OF NEW MEXICO

GRANTOR

New Mexico State Land Office
P.O. Box 1148
Santa Fe, NM 87504

GRANTEE

Rice Operating Company
122 W. Taylor
Hobbs, NM 88240

BY: PATRICK H. LYONS/BB
PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS
15-18-06

BY: [Signature]
(Name)

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
20____, as attorney-in-fact on behalf of _____.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF New Mexico)
COUNTY OF Lea) ss.

The foregoing instrument was acknowledged before me this 28th day of April,
20 06, by Loy B. Goodheart, President
(NAME) (TITLE)
of Rice Operating Company.
(CORPORATION)

My Commission Expires 12-27-08 Notary Public: Stephanie Willis

 OFFICIAL SEAL
STEPHANIE WILLIS
NOTARY PUBLIC
STATE OF NEW MEXICO
MY COMMISSION EXPIRES 12-27-08