

56383

MISC 587 PAGE 774

ASSIGNMENT

Reference is made to the following:

1. United States Oil and Gas Lease NM 086 ("the Lease"), dated October 1, 1951, from the United States of America to R. E. Jensen, covering all of Section 25, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico;
2. The Government E-1 Well ("the Well") located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 25, 610' from the south line and 1,880' from the west line of said Section 25.

Subject to the provisions of this Assignment, and for \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Armstrong Energy Corporation, and Thomas K. Scroggin and Donna Scroggin, husband and wife, (collectively "Assignors") grant and assign to Surface Water Disposal, Inc. ("Assignee"), P. O. Box 925, Hobbs, New Mexico 88240, all of Assignors' right, title and interest in and to the Well and the well bore of the Well.

To the extent that Assignors have the right to do so, Assignee shall have the right to use the well bore of the Well solely for the purpose of disposing of salt water into depths or formations from 5,250' subsurface down to the base of the Morrow formation, said base being more particularly described at a depth of 13,500' as found in the West Pearl State No. 1 Well, located 660' from the north line and 560' from the east line of Section 2, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Assignee shall not have the right to use the well bore of the Well for any other purpose whatsoever, specifically including, but not limited to, the production of oil, gas or hydrocarbon substances.

Assignee shall also have the right of use to the surface area commonly referred to as the "well pad" which is described as the area surrounding the well bore which has been cleared and established for the purpose of installing equipment necessary for the operation and maintenance of production or disposal procedures.

In addition to the foregoing, Assignors grant to Assignee the casing wellhead and all down hole casing in the well bore of the well. Assignors have no knowledge of any defect or problem with regard to the condition of the casing.

The following rights, titles and interests are hereby excluded from the operation of this Assignment, and are excepted and reserved to Assignors:

- (a) all operating rights and any other interest whatsoever in, to or under the Lease;
- (b) all oil, gas, hydrocarbon substances, and other minerals in and under and that may be produced from said Section 25, together with the right to explore for, produce and market the same;
- (c) all equipment and fixtures located upon, attached to or used in connection with the Well save and except for down hole casing in the well bore of the Well;
- (d) any and all other rights, titles and interests not expressly granted by this Assignment.

Assignors hereby waive any and all rights and title to skim oil which may be contained and marketed by Assignee as a by-product of transported disposal water.

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 14411 De Novo Exhibit No. 3
Submitted by:
ARMSTRONG ENERGY CORPORATION
Hearing Date: November 4, 2010

MISC 587 PAGE 775

This Assignment shall be subject to the Lease, and to the provisions of that certain Assignment of Operating Rights and Bill of Sale from Mobil Producing Texas & New Mexico Inc. to Armstrong Energy Corporation, dated March 31, 1988, effective April 1, 1988, recorded in Book 494, page 734 of the records of Lea County, New Mexico (the "Mobil Assignment").

Assignee assumes, and agrees to timely perform and discharge, all duties and obligations of the Assignors under the Lease, the Mobil Assignment, or any applicable agreement, statute, regulation, rule, order, or law, insofar and only insofar as the same pertain or apply to the Well. Such duties and obligations shall include, but shall not be limited to, those pertaining to plugging, abandoning, closure of related pits, restoration of the surface location of the Well, and environmental or pollution clean up or remediation. Assignee shall also timely perform and discharge all duties and obligations under, and comply with, all applicable statutes, regulations, rules, orders, or laws pertaining to the use and operation of the Well for salt water disposal, including, but not limited to, obtaining all necessary permits, consents, authorizations, easements or rights of way. Assignee shall also comply with all applicable statutes, regulations, rules, orders or laws pertaining to environmental matters, including those pertaining to clean up or remediation.

Assignee acknowledges that it has been cautioned that subsurface formations may contain naturally occurring radioactive material ("NORM"). Assignee further acknowledges that it has been cautioned that previous activities relating to the Well may have resulted in the concentration of certain levels of NORM on facilities, equipment, pipe and casing so that, when brought to the surface, a health hazard may exist in connection with the removal, handling or disposal of such NORM contaminated facilities, equipment, pipe or casing, if proper environmental regulatory or industrial hygiene procedures are not observed. The presence of NORM in or on facilities, equipment, pipe or casing in or on the Well or the well bore of the Well which are owned by or controlled by Assignee on or after the effective date of this Assignment shall be the sole responsibility of Assignee.

For purposes of this paragraph, the term "Claims" shall mean all claims, losses, damages, demands, suits, causes of action, liabilities, fines, penalties, expenses and costs (including attorneys' fees, costs of litigation and/or investigation, and other costs associated therewith). Assignee shall fully protect, indemnify and defend Assignors and their officers, agents, employees, directors and shareholders against, and shall hold Assignors and their officers, agents, employees, directors and shareholders harmless from, any and all Claims which accrue or are asserted on or after the effective date of this Assignment arising out of, related to or in any way connected with, indirectly or directly, in whole or in part, the ownership or operation of the Well, the well bore of the Well, and any facilities, equipment, pipe or casing, or any interest therein, by the Assignee, including, but not limited to, any Claims related to the following:

- (i) all duties and obligations which Assignee has assumed and agreed to perform and discharge to this Assignment;
- (ii) injury to or death of any person;
- (iii) damage to or loss of any property or resource, or any interest therein, including, but not limited to, subsurface strata and formations, and minerals in place;
- (iv) pollution, contamination or environmental damage, liability or violation of any kind, including but not limited to, those relating to the generation, release, discharge, transportation or disposal of any of the following: hazardous, toxic or radioactive materials, substances or wastes, or other pollutants, contaminants or wastes;

MISC 587 PAGE 776

- (v) the presence of any NORM contaminated facilities, equipment, pipe or casing including, but not limited to, such Claims as may relate to the use, resale, removal, handling or disposal of any such NORM contaminated facilities, equipment, pipe or casing.

The indemnities and obligations to defend set forth above shall apply regardless of the cause, and regardless of whether any such Claims arise in whole or in part from any act, omission, negligence or strict liability of Assignee or its officers, agents, employees, directors or shareholders, or any other person or entity, whether imposed by rule of law, statute or regulation.

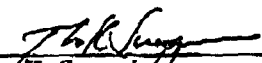
This Assignment is executed and delivered without warranties or representations of any kind, express or implied, including, but not limited to, warranties of title or condition. All property conveyed or assigned hereby is conveyed "AS IS". Assignee represents and warrants that it has inspected the Well and is satisfied with the condition thereof, "AS IS". Assignors make no warranties or representations of any kind with regard to the suitability of the Well for use as a disposal well, or regarding the legality or propriety of using the Well as a disposal well, or regarding the likelihood of Assignee obtaining necessary permits, consents or authorizations. ASSIGNORS DISCLAIM ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Notwithstanding the foregoing disclaimers and limitations, Assignors have executed and delivered this Assignment with full substitution and subrogation of Assignee in and to all warranties, representations and covenants previously made by others with respect to the rights, titles and interests conveyed hereby.

This Assignment shall be effective as of 5-31, 1994.

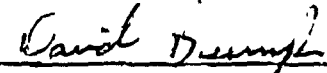
ARMSTRONG ENERGY CORPORATION

By 
Robert G. Armstrong, President


Thomas K. Scroggin

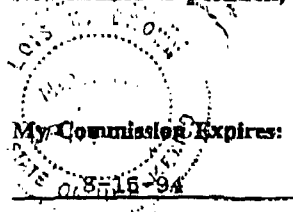

Donna Scroggin

SUBSURFACE WATER DISPOSAL, INC.

By 

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

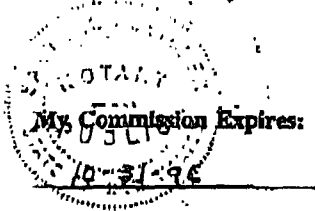
This instrument was acknowledged before me on May 19, 1994
by Robert G. Armstrong as President of ARMSTRONG ENERGY CORPORATION, a
New Mexico corporation, on behalf of said corporation.



Lois T. Brown
Notary Public

STATE OF NEW MEXICO)
)
COUNTY OF EDDY)

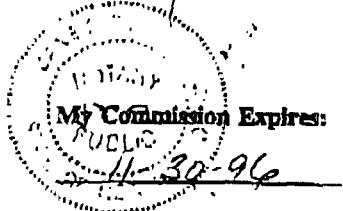
This instrument was acknowledged before me on May 23, 1994
by THOMAS K. SCROGGIN and DONNA SCROGGIN.



Sabrina R. Fletcher
Notary Public

STATE OF NEW MEXICO)
)
COUNTY OF)

This instrument was acknowledged before me on May 31, 1994
by Keith Bump as Resident of SUBSURFACE WATER DISPOSAL,
INC., a New Mexico corporation, on behalf of said corporation.



Keith Bump
Notary Public

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 31 1994

at 2:42 o'clock P M
and recorded in Book _____
Page _____
Pat Chappell, Lea County Clerk
By KE Deputy



Return to: Subsurface Disposal
Box 1002
Hobbs, N.M. 88201

56383