

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:
CASE NO. 8323, ORDER NOS. R-7693,
R-7693-A, R-7693-B and R-7693-C

APPLICATION OF BLANCO ENGINEERING,
INC. FOR SALT WATER DISPOSAL, EDDY
COUNTY, NEW MEXICO.

EDITORIAL
OIL CONSERVATION DIVISION
8323
DE NOVO
YATES
JULY 10, 1985

STIPULATION

Blanco Engineering, Inc. ("Blanco") and Yates Petroleum Corporation ("Yates") by and through their undersigned attorneys of record, hereby submit their stipulation in settlement as follows:

1. Yates Petroleum Corporation is and has been at all times material hereto the leasehold operator of the N/2 SE/4 of Section 22, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico ("subject lands") upon which is located the Pan American Petroleum Corporation Flint Gas Com Well #1 located 1,980 feet from the South and East lines of said Section 22 ("Flint Well").

2. On August 15, 1984, Blanco filed an application with the New Mexico Oil Conservation Division ("OCD") seeking authority to dispose of produced salt water in the Flint Well in the perforated interval from approximately 9,094 feet to 9,116 feet.

3. On August 31, 1984, Blanco entered into an agreement with Moncor, as trustee for the surface and mineral owner, to use the Flint Well for disposal of salt water and other liquid waste products.

4. On November 9, 1984 the OCD entered Order R-7693 granting the application of Blanco.

5. After Order R-7693 was entered by the OCD, Yates' learned of Blanco's plans to dispose of produced water in the Flint Well and, at Yates' request, the OCD vacated Order R-7693 and reopened the case on January 16, 1985.

6. Yates appeared at the January 16, 1985 hearing and asserted a right to use the wellbore of the Flint Well to produce oil and gas from the subject lands.

7. On January 30, 1985, following notice of hearing, the OCD entered Order R-7693-A which authorized Yates to reenter the Flint Well for 45 days and attempt to return it to production.

8. Pursuant to the terms of Order R-7693-A, the OCD reopened the case for additional testimony on March 27, 1985 and on May 7, 1985 entered Order R-7693-B which ordered Yates to return to Blanco the wellbore and surface location of the subject well in a condition as near as possible to that originally received by Yates or, alternatively, to reimburse Blanco for the additional costs incurred for returning the well to its original condition.

9. Yates timely filed an application for hearing de novo before the Oil Conservation Commission and by Order R-7693-C the Division Director stayed Order R-7693-C pending the Commission hearing which has been set for July 10, 1985.

10. Without the admission of liability by one party to another, and in order to settle a disputed claim, the parties desire to settle and compromise all pending issues and disputes between them in the above-styled case as follows:

a. At the July 10, 1985 Oil Conservation Commission hearing in Case No. 8323 (Application of Blanco Engineering Inc. for Salt Water Disposal, Eddy County, New Mexico) Blanco will offer this Stipulation into evidence and dismiss with prejudice its application to use the Flint Well for salt water disposal.

b. Blanco will relinquish all interest in the Flint Well acquired by the Salt Water Injection Well Agreement between Elaine B. Flint Trust, c/o Moncor Trust Company and Blanco dated August 31, 1984.

c. Blanco agrees to hold Yates harmless for any actions subsequent to the execution of this Stipulation by it or anyone who acquired an interest in this well through Blanco as a result of the August 31, 1984 Salt Water Injection Well Agreement referred to in paragraph 10b hereof.

d. Yates Petroleum Corporation hereby waives any and all claims it may have against Blanco for any damage of any kind whatsoever to the Flint Well, the formations in said well and any surface damage which may have occurred as a result of any action taken by Blanco on this well or upon this lease.

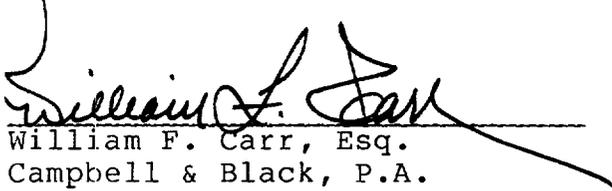
e. Each party shall be responsible for their respective attorneys' fees and costs and shall hold the other party harmless therefrom.

APPROVED:



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