

August 16, 2001

Grimes Land Company
P. O. Box 5102
Hobbs, New Mexico 88241

**RE: Settlement for Damages
State A No. 6 Well
Lea County, New Mexico**

Gentlemen:

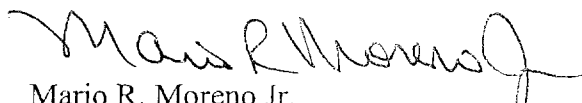
Enclosed please find Apache check numbered 3190326 in the amount of Five Thousand Seven Hundred Twenty-Five and 00/100 Dollars (\$5,725.00) as payment for the following:

- State A No. 6 Well – Damages for building location - \$5,725.00

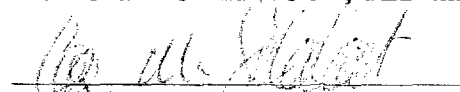
In addition, enclosed are two (2) original Surface Use Agreements for your signature. Please review the agreement for accuracy and if all is order, please acknowledge your receipt of this check and agreement to the settlement of damages by returning one (1) fully executed original of this letter and agreement to the undersigned as soon as reasonably possible in the enclosed self addressed envelope provided for your convenience. In the meantime, if you have any questions regarding this transaction please call either Harold Swain at (505) 390-4368 or myself at (713) 296-7055.

Very truly yours,

APACHE CORPORATION


Mario R. Moreno, Jr.
Senior Staff Landman

AGREED TO and ACCEPTED this 29 day of Aug, 2001.


Grimes Land Company

SURFACE DAMAGE RELEASE

STATE OF NEW MEXICO §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEA §

THAT, Grimes Land Company, P. O. Box 5102 Hobbs, New Mexico 88241, (hereinafter referred to as "OWNER"), is the current surface owner or Lessee on the hereinbelow described lands which are located in Lea County, New Mexico. For and in consideration of the sum of Five Thousand Seven Hundred Twenty-five Dollars and 00/100's (\$5,725.00) for the location of the Subject Well(s) described below, paid by Apache Corporation of 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (hereinafter referred to as "OPERATOR"), the receipt and sufficiency of which are hereby acknowledged, OWNER does hereby RELEASE and DISCHARGE OPERATOR, its employees, agents, contractors, successors and assigns, from any and all claims, demands and causes of action for detriment, injuries, damages and losses of whatsoever nature that have been caused or will be caused to the surface of the Subject Property (provided that such future damages are of a typical nature caused by normal operations of the Subject Well) in any way arising from, incident to or in connection with the drilling or operation of the following wells (hereinafter called "Subject Well").

State A No. 6 Well
990' FNL & 1817' FEL, Section 32,

The above well is located in T18S-R38E, Lea County, New Mexico.

The "Subject Property" shall mean the NW/4NE/4 of Section 32, T18S-R38E, Lea County, New Mexico.

It is understood that the consideration for this release does not cover damages for the laying of flowlines or powerlines over the Subject Property.

In addition to the payment mentioned above for surface location damages, Operator agrees to pay Owner the following:

- | | |
|-----------------------------|-------------------------|
| 1. Flow Line: | \$15.00 per rod |
| 2. Injection Line: | \$15.00 per rod |
| 3. Power Line: | \$15.00 per rod |
| 4. Power Poles: | Inclusive in power line |
| 5. Caliche (Price per yard) | \$3.00 per yard |
| 6. Road Damage | \$15.00 per rod |

This Release is intended to cover all disruption of ranch operations due to surface disruption, including but not limited to, all crops, timber and grass damaged or destroyed in connection with the above described activities.

OPERATOR shall conduct all operations in a good and workman like manner and shall use all precautions to prevent any damages to said land over and above the damages contemplated herein. OPERATOR agrees to restore the surface as close as reasonably possible to its condition prior to commencement of drilling operations.

OWNER agrees to account to any other party (including the surface tenant) who may be entitled to receive any portion of the aforementioned sum, and to indemnify and hold harmless OPERATOR, its successors and assigns from any claim by any other party for damages to the above described lands and improvements, crops or other things situated thereon. OWNER agrees to keep all of the terms and conditions of this damage settlement confidential.

OWNER, FOR ITSELF, ITS SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, PRINCIPLES, SERVANTS, HEIRS, EXECUTORS, PERSONAL REPRESENTATIVES AND ADMINISTRATORS, HEREBY RELEASES AND FOREVER DISCHARGES APACHE AND ALL WORKING INTEREST OWNERS AND THEIR RESPECTIVE PARENT CORPORATIONS, SUBSIDIARY CORPORATIONS, ASSOCIATED AND AFFILIATED CORPORATIONS AND/OR ENTITIES, AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, PRINCIPALS, SERVANTS, SUCCESSORS, ASSIGNS, HEIRS, ATTORNEYS, EXECUTORS AND ADMINISTRATORS FROM EVERY CLAIM, DAMAGE, ATTORNEYS FEES, EXPENSES, COSTS, DEMANDS, RIGHTS, AND/OR CAUSE OF ACTION OF ANY KIND FOR SURFACE DAMAGES RELATING TO THE DRILLING AND COMPLETION OF THE SUBJECT WELLS ON THE SUBJECT PROPERTY.

This agreement shall be binding upon the parties hereto and their respective heirs, successors and assigns.

AGREED TO AND ACCEPTED this 17th day of August, 2001.

APACHE CORPORATION

MP
By:

Glenn A. Otness
Glenn A. Otness
Land Manager

Grimes Land Company
Grimes Land Company