

BEFORE EXAMINER QUINTANA
OIL CONSERVATION DIVISION

Blanco EXHIBIT NO. 2 SALT WATER INJECTION WELL AGREEMENT
CASE NO. 8323

THIS AGREEMENT, made and entered into this 31 day of August, 1984, by and between the W. E. FLINT TRUST ACCOUNT, c/o Moncor Trust Company, formerly First City Trust Company, P. O. Box 70, Hobbs, New Mexico, 88240 ("Owner"), and BLANCO ENGINEERING, INC., a New Mexico corporation, 116 North First Street, Artesia, New Mexico, 88210 ("Operator"),

W I T N E S S E T H:

A. Owner owns the surface of certain lands, more particularly described as follows:

Township 18 South, Range 26 East, N.M.P.M.

Section 22: NW/4 SE/4

containing 40 acres, more or less,

in Eddy County, New Mexico;

B. Owner may also own other lands which surround and provide access to the above described lands, all of which are hereinafter referred to as the "Property;"

C. The Property has located on it a well which is not capable of producing oil or gas in commercial quantities and which the parties agree may be used for the storage, removal, disposal and transportation of salt water and other liquid waste products, which well is located 1,980 feet from the south line and 1,980 feet from the east line of said Section 22, and which is hereinafter referred to as the "Wellsite;" and

D. Operator desires to dispose of water as hereinafter provided.

NOW, THEREFORE, for one dollar and other good and valuable consideration hereinafter described, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Right-of-Way. Owner grants Operator an easement and right-of-way over, through and across the Property along the course of the existing road thereon, for ingress to and egress from the Wellsite. The easement and right-of-way shall include, but not be limited to, the right to construct, maintain and operate a road, powerlines, and all other facilities as will promote the use and enjoyment of the Wellsite, including, but not limited to, facilities to transport, inject, store and dispose of salt water and other liquid waste products and to supply electricity and other power to the Wellsite. The right to construct, operate and maintain facilities shall include, but not be limited to, the right to bury such facilities and powerlines below ground within the easement and right-of-way.

2. Pipeline Right-of-Way. Owner grants to Operator an easement and right-of-way over, through and across the Property for a pipeline. This grant includes, but is not limited to, the right to construct maintain, repair, remove and replace the pipeline, and Operator shall be entitled to intermittent use of so much of the surface of the adjacent land as is reasonably required for the exercise of such rights. The pipeline shall be used for the storage, injection, disposal, or transportation of salt water and other liquid waste products.

3. Salt Water Injection Well. Owner grants Operator the exclusive right to construct, maintain and operate facilities

on the Wellsite for the ~~perpetual~~ storage, injection and disposal of salt water and other liquid waste products. The facilities, hereinafter referred to as the "Salt Water Injection Well," shall be constructed on the Wellsite in a good and workmanlike manner in accordance with the standards of the industry. Operator may fence in the Wellsite should Operator deem the construction and maintenance of a fence to be necessary or desirable.

4. Salt Water Well Payments. Operator shall pay Owner 1¢ per barrel for the first 600 barrels of salt water injected per day, and 1/2¢ per barrel for the number of barrels of salt water over 600 barrels per day, ~~averaged on a monthly basis~~, injected by Operator into the Salt Water Injection Well. Payments shall be made by check to Owner monthly, within 20 days following the last day of the month for which payment is being made.

5. Annual Accounting. Operator, at its sole expense, shall furnish Owner, on or before those dates when payments for salt water injection are to be made under this Agreement, a statement of the number of barrels of salt water injected by Operator during the preceding ~~quarter~~ month for which payment is being made. Operator grants to Owner or its representative the right to inspect all books and records relating to this Agreement, once each calendar year during normal business hours, and to make copies or extracts therefrom. The inspection shall be at the sole expense of Owner.

6. Term. The term of this Agreement shall begin as of the date this Agreement is entered into by the parties and shall continue thereafter for so long as the Salt Water Injection Well established hereby is used or required for use by Operator. Operator may terminate this Agreement at will, and shall thereafter be responsible only for payments then due, for plugging and abandoning the well, and for restoring the Wellsite in a good and workmanlike manner.

*as a salt water injection well.

7. Indemnification. Operator shall save and hold Owner harmless from any and all loss, liability, expense, claim (including any and all costs and fees arising out of the litigation or settlement of any claims), or damages of any nature whatsoever arising, directly or indirectly, out of Operator's activities upon Owner's lands, including the activities or omissions of Operator's employees, contractors, officers, agents, or invitees.

8. Successors. In the event of an assignment, transfer or conveyance of the agreements herein contained or the easements or rights-of-way herein granted by Operator, the heirs, successors and assigns of Operator shall be bound by the terms of this Agreement. This Agreement shall be binding upon, and its benefit and burden shall inure to, the heirs, successors and assigns of Owner. The agreements herein contained and the easements and rights-of-way herein granted shall run with the Property and are not personal covenants.

9. Survey. Operator will furnish a survey and description of location of the pipeline and any underground utilities placed in the easement and right-of-way.

OPERATOR:
BLANCO ENGINEERING, INC.

Dated: August 31, 1984

By: W. L. D. [Signature] President

ATTEST:

By: [Signature] Secretary

OWNER:

Elaine B. Flint Trust
~~W. E. FLINT TRUST ACCOUNT~~

Dated:

9-12-84

By:

Lucille Bailey
Senior Vice President
MONCOR TRUST COMPANY, Trustee

STATE OF NEW MEXICO)

: ss.

COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 31st day of August, 1984, by W. E. Dray, President of BLANCO ENGINEERING, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:

July 17, 1988

Sandra Fletcher
Notary Public

STATE OF NEW MEXICO)

LEA : ss.

COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 12 day of September, 1984, by Lucille Bailey, of MONCOR TRUST COMPANY, formerly First City Trust Company, Trustee of the W. E. FLINT TRUST ACCOUNT. LD

Elaine B.

My commission expires:

Nov. 4, 1987

James J. [Signature]
Notary Public