



PETROLEUM PRODUCTION MANAGEMENT, INC.

P.O. BOX 957

CROSSROADS, NEW MEXICO 88114

(505) 675-2478

April 30, 1991

New Mexico Oil Conservation Commission
P.O. Box 1980
Hobbs, New Mexico 88240

Attn: Mr. Eddie Seay

Re: State 1 No. 2
UL "C", Sec.1, T-14-S, R-32-E
Lea County, New Mexico

Dear Mr. Seay:

Enclosed, please find a copy of the Site Lease Agreement we have with Mr. Billy Frank Good, who is the surface owner of the above captioned well.

We are using the battery for this well as a gathering station for our State "BD" water disposal well.

All other requirements for plugging this well have been completed and this location is ready for your inspection.

Yours truly,

Gary T. Cothran
District Superintendent

GTC/ts
Enclosures

SITE LEASE AND AGREEMENT

THIS AGREEMENT, made and entered into this 28 day of Dec., 1990, by and between BILLY FRANK GOOD, of PO Box 2020, Lovington, New Mexico, 88260, as Owner, and PETROLEUM PRODUCTION MANAGEMENT, INC., a Delaware corporation, with offices in Overland Park, Kansas, as Lessee, WITNESSETH:

WHEREAS, Owner is purchasing, and is in present possession, of the surface rights in and to the Northwest Quarter (NW/4) of Section 1, Township 14 South, Range 32 East, N.M.P.M., Lea County, New Mexico; and

WHEREAS, Lessee is the owner of an Oil and Gas Lease covering such land and has utilized a portion of the surface near the producing State 1 #2 Well located thereon as the site of salt water receiving tanks, and salt water disposal pipelines have been installed thereon; and

WHEREAS, Owner and Lessee wish to enter into an agreement as to the utilization of a portion of the surface near State 1 #2 Well as hereinafter described;

NOW, THEREFORE, for and in consideration of TEN DOLLARS (\$10.00) and other good and valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged by Owner, and the mutual covenants and agreements contained herein, it is agreed by and between the parties as follows:

1. Owner hereby agrees to lease and let, and does hereby lease and let, unto Lessee, its successors and assigns, the surface estate of a tract of land consisting of one (1) acre in the form of a square surrounding the present location of Lessee's salt water receiving tanks for the purpose of utilizing said tanks for receipt of salt water by truck and/or pipeline, and the holding of same prior to discharge of the same through pipelines located on said tract of land to transport said salt water to other locations outside said tract of land, and for the purpose of installing, maintaining, repairing and removing such tanks, lines, pipes, pumps, equipment, machinery or other equipment as Lessee shall deem desirable for the purposes contemplated by this Agreement.

2. For the same consideration, Owner, to the extent of his authority, hereby grants to Lessee an easement and right-of-way over, under and across such tract of land for the purpose of installing, maintaining, repairing and removing pipelines, tanks or other above or below ground equipment as shall be necessary or convenient to Lessee in transporting or storing said salt water.

3. This Lease shall extend for a term of five (5) years, commencing January 1, 1991, and terminating December 31, 1995. Lessee agrees at the termination hereof to clean and restore the surface of the tract of land used by Lessee to as nearly its condition at the date of this Agreement as shall be reasonably possible.

4. Owner and Lessee agree that Lessee shall pay to Owner rental at a rate equal to TWO HUNDRED DOLLARS (\$200.00) per month for the term hereof, for a total of \$12,000.00 for the 5-year term of this lease. Payment for the rental will be made in two installments: \$6000.00 payable on or before January 1, 1991, and \$6000.00 payable on or before January 1, 1992.

5. Lessee shall have the right at any time, either before or within six (6) months after the termination of this Lease or of the Oil and Gas Lease on said lands, to remove from Owner's land any and all tanks, equipment, pipelines and other personal property placed therein and thereon by Lessee, it being agreed that the same shall be and remain the personal property of the Lessee.

6. Lessee shall have the right of ingress and egress to the subject tract of land for the purposes contemplated by this Agreement. Lessee shall pay Owner reasonable sums for damages and injuries to the surface estate of Owner's lands, including, but not limited to, reasonable sums for damages to (1) water rights, whether above or below the ground, (2) improvements, (3) livestock, (4) vegetation and (5) soil, which damages and injuries arose by reason of or resulting from Lessee's operations, and Lessee agrees to use its

best efforts to protect said lands against any damages or injuries arising by reason of Lessee's operations.

7. The terms, conditions, covenants and provisions hereof shall extend to and be binding upon the parties hereto, their heirs, executors, personal representatives, devisees, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

Billy Frank Good
Billy Frank Good
OWNER

PETROLEUM PRODUCTION MANAGEMENT, INC.

ATTEST:
Nancy G. Elgin
Assistant Secretary

By Larry W. Miller
Larry W. Miller, Vice President
LESSEE

STATE OF NEW MEXICO)
: SS
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 28 day of JANUARY, 1991, by Billy Frank Good.

My Commission Expires:

7-8-93

Helin Paul
Notary Public

STATE OF KANSAS)
: ss.
COUNTY OF JOHNSON)

The foregoing instrument was acknowledged before me this 28th day of December, 1990, by Larry W. Miller, Vice President of Petroleum Production Management, Inc., a Delaware corporation, on behalf of said corporation.

Stephen R. Paulsen
Notary Public

My Commission expires:

4-20-94