

Union Oil and Gas Division: Central Region

Union Oil Company of California
500 North Marienfeld, Midland, Texas 79701
Telephone (915) 682-9731



Midland District

February 6, 1978

Mr. & Mrs. Mark Smith
P. O. Box 1296
Lovington, New Mexico 88260

Dear Mr. & Mrs. Smith:

Location Damages
Union * Laguna Deep Unit Federal Well No. 1
NE/4 Section 35-24S-35E
Lea County, New Mexico
Laguna Prospect (7729)

This letter is to confirm and acknowledge our discussions on February 4, 1978 concerning the settlement of location and road damages, and surface restoration, in connection with the drilling and completing of Union Oil Company of California's proposed Laguna Deep Unit Federal Well No. 1 located in the NE/4 of Section 35, Township 24 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

The Sight Draft No. 17136, dated February 4, 1978, payable to you and your wife in the amount of \$1,000, represents payment for any surface and grass damages in connection with the location, reserve pits and battery site to be used in the drilling and completing of the above mentioned well. There are no road damages involved inasmuch as you have allowed us to use the existing roads which pass by the location. In accordance with our agreement, Union will pay you an annual payment of \$150 for the use of your ranch roads to be used in our operations if the initial test well does result in a commercial completion. Once our operations cease on the property, the payment will be discontinued. The reserve pits used in the drilling of the initial test well will be leveled and all debris will be cleaned up in the area. The caliche pad will be left in place.

I certainly appreciated your hospitality and enjoyed visiting with you and your daughter's family last Saturday. Please thank your wife again for the fine meal.

Very truly yours,

Robert V. Lockhart
Robert V. Lockhart

District Land Manager

RVL/bh