

GASCO

A SUBSIDIARY OF



Gasco, Inc.
141 Union Blvd., Suite 400
P.O. Box 281304
Lakewood, CO 80228-8304
(303) 980-9340



00260192

July 18, 1994

Mr. Ed Walters
Noffsinger Manufacturing Co. Inc.
P.O. Box 448
Greeley, CO 80632

RE: GASCO, Inc. proposed water injection facility
Canadian River Field
Blevins A-2 well
NW SE SE Sec. 3 T9N R78W
Jackson County, CO

Dear Mr. Walters:

At the first of May I contacted you regarding the Blevins B wells and also informed you that GASCO, Inc. was proposing to put a water disposal facility at the above site in the Canadian River Field near Walden, Colorado. At this time we are moving forward with our permit application to the State of Colorado.

Since Noffsinger Manufacturing is the surface owner and one of the majority mineral owners of the Blevins A-2 and subject to our agreement of May 19, 1994; GASCO is requesting your permission to turn the well into a water injection facility. Enclosed is a copy of our letter proposal to the state for your review. Should you have any questions regarding the application please contact me or Jerry McLeland. GASCO will be forwarding a water disposal agreement to your attention within the next two weeks. This agreement will compensate you for the use of this well as a disposal facility. Please indicate your agreement to the injection facility, subject to the terms of the forthcoming water disposal agreement, by signing below and returning one copy of this letter to me.

Additionally, in accordance with COGCC regulation 323, should you have a grievance regarding the facility, you may file within 15 days of notification, a written request to the Colorado Oil and Gas Conservation Commission for a public hearing before the commission.

Thank you for your prompt attention to this matter.

Sincerely,

GASCO, INC.

Carol N. Criss

Carol N. Criss
Sr. Engineering Technician

Enclosure

cc: Ed DiMatteo, Colorado Oil and Gas Commission
Noffsinger Ranches, Inc. (303) 723-4203
P.O. Box 867
Walden, CO 80480

Noffsinger Manufacturing Co. Inc. hereby approves
the Blevins A-2 injection facility subject to the
terms of the forthcoming Water Disposal agreement.

Signed: _____

Title: _____

Date: _____

WATER DISPOSAL AGREEMENT

THIS AGREEMENT, made this 1st day of August, 1994, between Noffsinger Manufacturing Co., Inc., P. O. Box 448, Greeley CO 80632, herein called "OWNERS" and GASCO, Inc., P. O. Box 281304, Lakewood, CO 80228-8304, herein called "GASCO",

WITNESSETH:

WHEREAS, OWNERS are the owners of the following described land (hereinafter the "Land") situated in Jackson County, Colorado, to wit:

Township 9 North, Range 97 West

Section 3: NW4SE4SE4

containing 10.00 acres more or less,
Jackson County, Colorado

and,

WHEREAS, GASCO, its successors and assigns, own an interest in an oil and gas lease(s) on said Land and has drilled an oil and gas well thereon, designated as the Blevins A-2 well, which is a gas well completed in the Dakota Formation, and which GASCO now intends to convert to a water injection facility

and,

WHEREAS, GASCO desires to continue to use said well as a water injection well;

and,

WHEREAS, OWNERS are willing to grant such an Agreement to GASCO upon the terms and conditions set forth.

NOW THEREFORE, IT IS MUTUALLY AGREED, as follows:

1. For valuable consideration, the receipt of which is hereby acknowledged, OWNERS do hereby grant to GASCO, its successors and assigns, the exclusive right to use the Blevins A-2 Well as a water injection well for the purpose of injecting water, brine and other fluids into subsurface strata as approved by the Colorado Oil and Gas Commission, together with the exclusive right to use and occupy a tract surrounding said well on the land, upon which GASCO may place, install and maintain pumps, tanks, buildings, facilities and equipment used in connection with the water injection operation, together with the right of ingress and egress across OWNER'S lands from the county road to said location by the shortest reasonable route and the right to construct and maintain a roadway thereon sufficient for conveying materials and fluids to the water injection operation. OWNERS reserve the right to conduct or cause to conduct exploration on the Land provided such exploration does not interfere with the rights granted to GASCO herein.

2. This Agreement, and all the rights, conditions and provisions hereof, shall remain in full force and effect for a term of one (1) year commencing the 1st day of August, 1994 and ending the 1st day of August, 1995 shall have and is hereby granted the right to extend this Agreement from year to year by remitting to OWNERS the sums and in a manner hereinafter as hereafter described. Such rights shall exist for a maximum of fifteen (15) years from August 1994.

3. As consideration for the rights and privileges granted herein, GASCO shall pay to OWNERS, the sum of Five Hundred and no/100 Dollars (\$500.00) per year, to be prepaid on or before each successive anniversary date of this Agreement, unless GASCO elects, at its sole discretion, not to extend this Agreement as herein provided. OWNERS mutually agree that the Five Hundred and no/100 (\$500.00) payment tendered along with this Agreement shall serve as the initial annual payment for the year August 1, 1994 through August 1, 1994 .

4. OWNERS expressly grant to GASCO the right and privilege of entering into one or more agreements with other oil and gas operators conducting operations in the general vicinity of the Land for the joint use and operations in the general vicinity of the Land for the joint use and operations of the premises herein described and for the joint construction, operation and maintenance of the injection well and equipment contemplated by this Agreement.

5. Nothing herein shall alter, expand or limit any of the right of the parties under any existing oil and gas lease(s) on the lands hereinabove described, and is in no way to be construed as a ratification or continuation of any oil and gas lease.

6. It is understood that GASCO has obtained permission from the State of Colorado to use and operate said well as a water injection well and agrees to comply at all times with all rules, regulations and laws of the State of Colorado in such respect, throughout the term hereof and any extended term.

7. GASCO shall provide accurate measurement for the amount of fluids injected into such well, and shall keep and maintain at all times accurate records thereof, which shall be available for inspection by OWNERS at all reasonable times.

8. In the event GASCO shall fail to make any of the payments or perform any of the obligations required of it hereunder, OWNERS may terminate this agreement by giving thirty days' written notice to GASCO at the address hereinabove stated, provided that if GASCO shall within said thirty day period make the payments which are due or perform the obligations required of it, then this agreement shall continue in full force and effect thereafter as if such default had not occurred; provided, further, that if thirty days is not a sufficient time for GASCO, using due diligence, to perform any obligation hereunder, other than the obligation to make the

payments herein required, shall have such additional time as may be necessary to perform such obligation.

9. Upon abandonment of the water injection facility, GASCO shall have a reasonable amount of time within which to remove all of its machinery, buildings, facilities and equipment from the premises.

10. This Agreement shall bind and inure to the benefit of the parties hereto, their successors, representatives and assigns.

12. GASCO agrees to indemnify and save harmless OWNER from any and all liability of OWNER which may arise from GASCO's action or operation.

EXECUTED the day and year first hereinabove written.

ATTEST:

NOFFSINGER MANUFACTURING CO. INC.

By: _____

ATTEST:

GASCO, INC.

Tammy K. Wachtl
Assistant Secretary

By: _____
George M. Simmons
President

