

PACIFIC NORTHWEST PIPELINE CORPORATION

SALT LAKE CITY, UTAH

February 26, 1958

REPLY TO
P. O. Box 1526
SALT LAKE CITY 10, UTAH

Mr. L. H. J. Harper
610 Roswell Petroleum Building
Roswell, New Mexico

Dear Mr. Harper:

Re: San Juan 32-5 Unit
San Juan and Rio Arriba Counties, N. M.
Mesaverde Participating Area Filings

On June 1, 1957, you succeeded Pacific Northwest Pipeline Corporation as Operator of the San Juan 32-5 Unit in Rio Arriba and San Juan Counties, New Mexico. At the time Pacific Northwest Pipeline Corporation had completed Well #4-16 in the E/2 Section 16, Township 32 North, Range 6 West, and had formed a Mesaverde participating area consisting of the half section but had not yet connected the well to a pipeline. This well was placed on production in July of 1957 and has produced during most subsequent months.

By inadvertence we failed to notify our Gas Accounting and Field Production personnel of the change of operatorship of the unit so each of these departments has continued to file monthly statements of production and other reports required by the federal and state agencies in the name of Pacific Northwest Pipeline Corporation as unit operator.

We now desire to correct this situation and believe the simplest way to handle it would be for you to authorize Pacific to continue to file the following reports required by governmental agencies relative to the Mesaverde participating area so long as Pacific is the sole owner of working interests therein:

Form Number and Name

| | |
|-----------|--|
| SLO-111-B | Production and Royalty Statement |
| 9-361 | Lessee's Monthly Report of Sales and Royalty |
| C-115 | Operator's Monthly Report |
| 9329 | Lessee's Monthly Report of Operations |

Governmental Agency

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|--|
| Commissioner of Public Lands, State of New Mexico |
| United States Geological Survey |
| New Mexico Oil Conservation Commission |
| United States Geological Survey |

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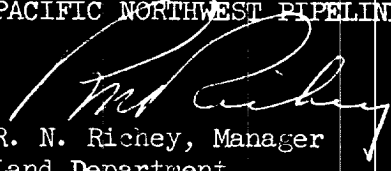
The continued filing by Pacific of these reports would eliminate the double handling involved if we as a pipeline company must report production data to you which you in turn would file with the public agencies as Unit Operator and then report back to us on the Operator's Statement of Production form.

We propose that in the future these filings be made by Pacific in behalf of and as agent for L. H. J. Harper, Unit Operator. If you approve of this method, we will furnish you with copies of each report filed and will confine our filings to only those matters pertaining to production from the one well and the Mesaverde participating area which it supports, it being understood that either party may terminate the arrangement by service of 60 days notice to the other.

If you are in agreement with this proposal, please so indicate on a copy of this letter and return it to the attention of the undersigned.

Very truly yours,

PACIFIC NORTHWEST PIPELINE CORPORATION


R. N. Richey, Manager
Land Department

RNR:CVD:mde

Agreed and approved:


L. H. J. Harper, Operator, San Juan 32-5 Unit


Date