

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

June 22, 1961

Re: CASE NO. 2299

ORDER NO. R-1110-B

APPLICANT:

Newmont Oil Company

Mr. Jack Campbell
Campbell & Russell
P. O. Drawer 640
Roswell, New Mexico

Dear Sir:

(1)

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A handwritten signature in cursive script that reads "A. L. Porter, Jr.".

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC _____

OTHER Mr. Clarence Hinkle

AGREEMENT FOR COOPERATIVE WATERFLOOD

EAST SQUARE LAKE FIELD, EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this the 9th day of MAY, 1961, by and between NEWMONT OIL COMPANY, a Delaware Corporation, hereinafter referred to as NEWMONT, and the KENNEDY OIL COMPANY, a New Mexico Corporation, hereinafter referred to as KENNEDY,

W I T N E S S E T H:

WHEREAS, Kennedy is the owner of the operating rights under certain oil and gas leases more particularly described in Exhibit "A" attached hereto and made a part of hereof, from which leases Kennedy is presently producing oil from the San Andres and Grayburg producing horizons but with respect to which as of this date no waterflooding permit has been granted nor has an application for a permit granting the right to develop such leases by waterflooding permitting capacity allowables been filed before the Oil Conservation Commission of New Mexico; and,

WHEREAS, Newmont Oil Company is the owner of the operating rights under certain oil and gas leases more particularly described in said Exhibit "A" on which leases Newmont is engaged in a waterflooding project for the purpose of producing oil from the San Andres and Grayburg producing horizons under the authority of a permit Newmont holds from the Oil Conservation Commission of New Mexico granting to Newmont the right to waterflood such leases and produce oil therefrom with no limitation on allowables; and,

WHEREAS, Newmont has recently expanded from its initial pilot area by converting and placing on injection two additional wells and as a result of the increased oil production to date from its waterflooding activities, Newmont intends to continue the orderly expansion of its waterflood until all of its above described acreage which will respond to such method of production is encompassed and being produced by such waterflood activities; and,

WHEREAS, the parties hereto recognize that in the orderly expansion of Newmont's flood activities Kennedy's acreage shown on the attached Exhibit "B", as being in the area here designated and hereafter referred to in this agreement as the 'cooperative area' will likewise become subject to waterflooding as a natural expansion of Newmont's waterflooding activities; and,

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>2</u>
CASE NO. <u>5299</u>

WHEREAS, the parties hereto desire to operate and develop the leasehold acreage described in Exhibit "A" which is located in the cooperative area as shown on Exhibit "B" so that the wells located on such acreage in this area will be used and operated on a cooperative and efficient basis for the secondary production of oil by waterflooding the presently producing San Andres and Grayburg formations;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other benefits to be derived by the parties hereto, the parties hereto agree as follows:

I.

Kennedy hereby authorizes Newmont to make and prosecute an application to the Oil Conservation Commission of New Mexico for authority to operate and produce Kennedy's properties involved in this agreement and described in Exhibit "A" attached hereto upon the same basis permitted to Newmont under present authority from the Commission.

If such authority is not obtained on or before 90 days from the date of this agreement then in that event this agreement at the option of either of the parties hereto shall be null and void.

II.

As Newmont's expansion of its present waterflood project progresses and additional wells located in the cooperative area need to be converted to and operated as water input wells in order to maintain an orderly expansion program, each party shall without delay complete the conversion and equipping of such necessary water input wells on its own acreage as its sole cost, risk and expense immediately after both parties agree that such action is appropriate and necessary.

III.

Within thirty (30) days after each party has approved plans, applications and cost estimates submitted by Newmont, the parties shall commence the installation of the equipment necessary for the pressuring and delivering of pressured water in volumes adequate to develop the properties subject to this agreement for the secondary recovery of oil through waterflood development. The cost of such installation and equipment, including, for example but not by way of limitation, the central water pressuring plant, water-storage

tanks, water supply lines from Newmont's source of water, and water supply lines to the injection wells on both the Newmont and Kennedy leases, shall be borne by the parties hereto in the same ratio as their ownership of these "active" wells in the cooperative area to be served by such facilities bears to the total number of these "active" wells in the cooperative area shown on Exhibit "B" to be served by such facilities. After the installation of and payment for these facilities the ratio of ownership shall remain constant as between the parties hereto during the cooperative flooding of this project, regardless of any future fluctuation in the number of "active" wells in the cooperative area. For the purposes of this agreement, "active" wells are defined as wells in the cooperative area which are used either for water injection purposes or as producers of oil. The cooperative area for the purposes of this agreement is that area shown on Exhibit "B" as the cooperative area.

All other equipment (excepting those jointly installed and paid for as above provided) now in or on said leases, shall be and remain the property of the party operating such leases. Any equipment hereafter placed in or on said leases shall be at the sole expense of the party operating the lease upon which said equipment is placed and title to such equipment shall remain in such party.

Costs of the joint facilities shall be submitted to Kennedy on "Authorization for Expenditure" (AFE) and Kennedy shall promptly approve such AFE's as are substantially within the approved estimated costs and return the same together with his check for his proportionate part of such costs to Newmont. Thereafter Newmont shall proceed with the work covered by such AFE's.

IV.

Newmont shall advise upon and supervise the conversion of all wells in the cooperative area, and supervise the installation and operation of the joint facilities, the operation of water input wells, the rate of injection of water into each of said wells, and all other matters pertinent to the operation of said central water facilities and the wells in the cooperative area. Newmont shall have the right of ingress and egress on each of Kennedy's leases, insofar as Kennedy is able to so provide, for the purpose of supervising the waterflood project.

Newmont shall conduct such supervision in a manner consistent with good engineering practices, and shall furnish to Kennedy monthly progress reports setting out all pertinent information with regard thereto.

Newmont, as Supervisor of the cooperative area, shall make weekly well tests of the producing wells located on all tracts to determine the amount of oil and water being produced therefrom, the pump diameter, pump strokes per minute, the number of hours tested and any other information pertinent to the operation of the waterflood project in the cooperative area.

Newmont shall not be liable for any loss or damage to Kennedy arising out of Newmont's advice or supervision in the absence of gross negligence, bad faith or fraud.

V.

During the life of this agreement a meeting of the parties shall be held in each calendar quarter to consider and approve Newmont's plan of operation and budget therefor for the succeeding quarter and to discuss such other matters in connection with the operation of the cooperative area as either party then deems desirable. After approval of such plan and budget Newmont shall submit an AFE to Kennedy based on such plan and budget for Kennedy's proportionate part of all approved expenditures estimated on a monthly basis. Within five (5) days after the receipt of such AFE Kennedy shall approve and return it to Newmont together with Kennedy's check for its share of the first month's authorized estimated expenditure. Newmont shall in each calendar month during the term of this agreement furnish Kennedy with a statement supported by proper receipts or vouchers covering all expenditures made during the previous calendar month for the account of Kennedy, and setting forth the estimated expenditures for the current calendar month as previously authorized by the outstanding AFE and increased or decreased by the amount the actual expenditures the previous month were greater or less than the estimate for that month. Kennedy within five (5) days after receipt of such statement shall forward its check to Newmont covering the estimated authorized expenditures as so adjusted for the current month.

Notwithstanding the foregoing Newmont may from time to time without specific prior authority expend such sums as it considers necessary or advisable for Kennedy's account up to \$1,000 per expenditure; and in the case of an emergency Newmont may expend such sum in excess of \$1,000 without prior authorization as it considers necessary. Newmont shall notify Kennedy of any such previously unauthorized expenditure as made and as soon thereafter as convenient shall submit

a statement to Kennedy for such expenditure. Kennedy within five (5) days after receipt of same shall pay such statement.

VI.

To compensate Newmont for its supervision of the waterflood project and to reimburse it for its expense in connection therewith, a monthly charge shall be made to Kennedy on the following basis:

- (a) An administrative overhead charge of \$ 30⁰⁰ per well per month for each injection and producing well located on any Kennedy tract in the cooperative area. This rate shall commence on the effective date of this agreement, and shall continue until construction of any of the joint facilities provided in Paragraph III above has actually commenced; thereafter this rate shall terminate, and during the remaining term of this agreement the rate shall be as follows:
- (b) An administrative overhead charge of \$ 60⁰⁰ per well per month for each injection and producing well located on any Kennedy tract in the cooperative area.

In addition, Newmont shall bill Kennedy and Kennedy shall pay each month (at the price Newmont pays) for one-half ($\frac{1}{2}$) of all the water metered at the point of entry into the central plant facilities servicing this project.

Each party shall pay all direct costs of operating the wells located on its tracts in the cooperative area, including the salary and expenses of any and all personnel up through and including the pumper lever. In the event one pumper can service all of the active wells in the cooperative area, Newmont shall employ such pumper and his salary and the expense of maintaining such employee shall be paid for by the parties in the same ratio as the active wells owned by each party hereto and serviced by such pumper bears to the total number of active wells serviced by such pumper.

All charges covered by this paragraph shall be estimated and included and made a part of the quarterly budget submitted by Newmont as provided in Paragraph V hereof.

Newmont is hereby granted a lien on Kennedy's interest in the jointly owned waterflood facilities and equipment to secure the payment of all amounts due or to become due from Kennedy to Newmont. Such lien may be enforced by and at the option of Newmont as a mortgage lien or as any other lien afforded by the law of the state in such cases.

VII.

In the event this waterflood project should not be successful and

both parties hereto desire to abandon the same, Newmont shall, upon the parties mutually agreeing in writing, cease waterflood operations, proceed to salvage the jointly owned equipment, sell the same and distribute the proceeds to the parties in accordance with the ownership therein, less the cost of salvaging the same. Thereafter, this agreement shall become null and void and of no further force and effect, except as to any obligation theretofore incurred by either party.

VIII.

This cooperative agreement may be extended to include additional leases adjacent to the area covered hereby, and to additional operators, under the terms and conditions to be mutually agreed upon by the parties hereto and any other parties seeking to participate in the cooperative waterflooding of the San Andres and Grayburg producing horizons in the Square Lake field.

IX.

At any time after one year from the effective date hereof, if either party so desires, it may withdraw from this agreement upon sixty (60) days' written notice to the other party.

X.

When and if any third party owning an interest in a tract of land in any of the cooperative area covered in this agreement files or presents any claim for damages to such tract, surface or sub-surface, by reason of the operations thereon as provided hereunder the party operating the lease or leases on any such tract and who is a party hereto shall be solely responsible and liable for any such claims for damages, and will hold the other party hereto harmless therefrom, and will take whatever action is necessary to defend or settle any such claim or claims to the end that the other party hereto incurs no liability or expense in connection therewith.

In the event any such claim arises on a tract or tracts in which neither of the parties hereto owns an operating interest, then the party or parties hereto operating a lease or leases on the tract or tracts, the operation of which under the terms hereof forms the basis for such claim, shall be solely responsible and liable for any such claim and shall settle or defend the same so that the other party hereto shall not be liable therefor, or incur any expense in connection therewith.

XI.

This agreement shall in no way affect the obligations of either of the parties hereto to produce the oil from their own wells, and each party shall continue to own and be entitled to all production from its own wells and leases. The duties, liabilities and obligations of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to impose a partnership obligation or liability with regard to the parties hereto. Each party shall be individually responsible only for its obligation as set out herein, and be liable only for its proportionate share of the costs and expenses as herein stipulated.

XII.

This agreement shall not constitute a partnership and each party elects to be excluded from the application of all of Sub-Chapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, pursuant to Section 761 thereof.

XIII.

No assignment of this agreement shall be made or become effective unless the written consent of the non-assigning party is first obtained. Subject hereto, and subject to the provisions of the leases, the terms and provisions hereof shall be covenants running with the lands and leases covered hereby, and shall be binding upon and inure to the benefit of the respective parties hereto, their heirs, successors, legal representatives and assigns.

Any sale or transfer by any of the parties hereto of an interest in any lease committed to this agreement shall be made expressly subject to the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written, which is for all purposes the effective date of this agreement.

ATTEST:

By Janice Warren
Assistant Secretary

ATTEST:

By Elizabeth J. Kennedy
~~Robert Kennedy~~ Secretary

NEWMONT OIL COMPANY

By Charles C. Grogan
Vice President

KENNEDY OIL COMPANY

By Robert Kennedy
Vice President

EXHIBIT "A", ATTACHED TO AND
MADE A PART OF AN AGREEMENT
DATED MAY 9, 1961,
BETWEEN KENNEDY OIL COMPANY
AND NEWMONT OIL COMPANY

I. Kennedy Oil Company Leases

1. Oil and Gas Lease made December 27, 1937, between the United States and S. P. Johnson, bearing Las Cruces Serial No. 060548(b), insofar as it covers the following lands in Eddy County, New Mexico:

Township 16 South, Range 31, East, N.M.P.M.

Section 33: E/2 NW/4

and containing 80 acres, more or less, together with
Wells No. 1 and 3 thereon.

2. Oil and Gas Lease made December 27, 1937, between the United States and S.P. Johnson, bearing Las Cruces Serial No. 065561, insofar as it covers the following lands in Eddy County, New Mexico:

Township 16 South, Range 31 East, N.M.P.M.

Section ~~34~~: SW/4 NE/4

and containing 40 acres, more or less, together with
Well No. 17 thereon.

3. Operating Agreement made August 26, 1943, between Fullerton Oil Company and G. B. Suppes, insofar as it covers Oil and Gas Lease made December 27, 1937, between the United States and S.P. Johnson, bearing Las Cruces Serial No. 056302(b), insofar as said Operating Agreement and oil and Gas Lease cover the following lands in Eddy County, New Mexico:

Township 16 South, Range 31 East, N.M.P.M.

Section 28: W/2 SW/4

Section 33: E/2 NE/4, W/2 SE/4

Section 34: W/2 SE/4, W/2 SW/4

and containing 400 acres, more or less, together with
Wells Nos. 2,4,5,6,8,10,11,12,13,15 and 16 thereon.

II. Newmont Oil Company Leases

1. Oil and Gas Lease made December 27, 1937, between the United States and S. P. Johnson, bearing Las Cruces Serial No. 063368, insofar as it covers the following lands in Eddy County, New Mexico:

Township 11 South, Range 31 East, N.M.P.M.

Section 33: W/2 NW/4, W/2 NE/4, E/2 SE/4, E/2 SW/4

and containing 320 acres, more or less, together with
Well Nos. 1,2,3,4,5,6,7, and 8 thereon.

2. Oil and Gas Lease made December 27, 1937, between the United States and S. P. Johnson, bearing Las Cruces Serial No. 065561-A, insofar as it covers the following lands in Eddy County, New Mexico:

Township 16 South, Range 31 East, N.M.P.M.

Section 34: E/2 SE/4, W/2 NW/4

and containing 160 acres, more or less, together with Wells Nos. 1,2,3 and 4 thereon.

3. Oil and Gas Lease made December 27, 1937, between the United States and S. P. Johnson, bearing Las Cruces Serial No. 029438(b), insofar as it covers the following lands in Eddy County, New Mexico:

Township 16 South, Range 31 East, N.M.P.M.

Section 34: E/2 SW/4

containing 80 acres, more or less, together with Wells Nos. 5 and 6, thereon.

AGREEMENT FOR COOPERATIVE WATERFLOOD

EAST SQUARE LAKE FIELD, EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this the 23rd day of May, 1961, by and between NEWMONT OIL COMPANY, a Delaware Corporation, hereinafter referred to as NEWMONT, and Southern Petroleum Exploration Company, Inc., a Delaware Corporation, hereinafter referred to as Southern Petroleum.

W I T N E S S E T H:

WHEREAS, Southern Petroleum is the owner of that certain oil and gas lease dated April 10, 1934, bearing Serial No. B-2721 executed by the State of New Mexico as Lessor to Southern Petroleum Exploration Company, Inc., as Lessee, covering among other lands the Northeast Quarter of Section 32, Township 16 South, Range 31 East (hereafter referred to as Subject Acreage) and from which Southern Petroleum is presently producing primary oil from the San Andres and the Grayburg producing horizons, but with respect to which as of this date no waterflooding permit has been granted, nor has an application for such permit been made; and,

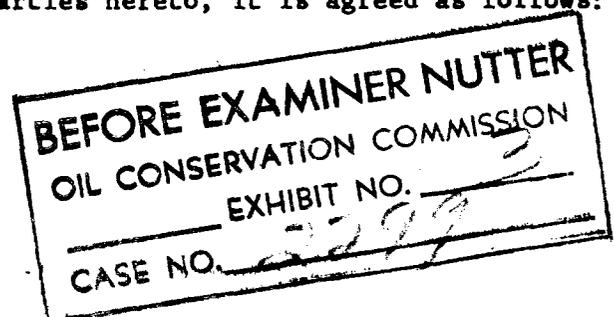
WHEREAS, Newmont Oil Company is the owner of the operating rights under certain oil and gas leases abutting the Southern Petroleum Company acreage on the north, east and west, and on which such leases Newmont is engaged in a waterflooding project for the purpose of producing oil from the San Andres and Grayburg producing horizons under the authority of a permit Newmont holds from the Oil Conservation Commission of New Mexico granting to Newmont the right to waterflood such leases and produce oil therefrom; and,

WHEREAS, Newmont has recently expanded from its initial pilot area and is presently injecting water into two wells, each of which constitute direct offsets to the Subject Acreage; and,

The parties hereto recognize that in the orderly expansion of Newmont's flood activities the Subject Acreage will become subject to waterflooding as a natural expansion of Newmont's waterflooding activities; and,

WHEREAS, Southern Petroleum desires to have Newmont develop and operate the Subject Acreage so that such acreage may become subject to secondary production by waterflooding at the earliest possible date.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other benefits to be derived by the parties hereto, it is agreed as follows:



I.

Southern Petroleum hereby authorizes Newmont to make and prosecute an application to the Oil Conservation Commission of New Mexico for authority to operate and produce Southern Petroleum's properties involved in this agreement and described in Exhibit "A" attached hereto upon the same basis permitted to Newmont under present authority from the Commission.

If such authority is not obtained on or before 90 days from the date of this agreement then in that event this agreement at the option of either of the parties hereto shall be null and void.

II.

Newmont on the effective date of this agreement will take over Subject Acreage and thereafter perform or have performed such work on the wells located thereon as Newmont deems advisable so that Wells Nos. 2 and 4 may be converted to water input wells just as soon as permission for such conversion of wells can be secured from the Oil Conservation Commission of New Mexico. Newmont will thereafter operate this acreage during the term of this agreement pursuant to the provisions hereof and in a manner consistent with good engineering practices. Newmont shall have such right of ingress and egress on Subject properties as is necessary for it to assume and discharge its obligations recited herein.

III.

Newmont shall not be liable for any loss or damage to Southern Petroleum arising out of Newmont's operations hereunder in the absence of gross negligence, bad faith or fraud.

IV.

As soon as possible after the effective date of this agreement Newmont will submit to a representative of Southern Petroleum (hereafter designated) a plan (together with budget) to convert Wells Nos. 2 and 4 to water input wells and the connection of such wells to Newmont's central water pressuring facilities. Such budget will be in the form of an Authorization for Expenditure (A.F.E.) which, if acceptable, will be approved and returned to Newmont together with Southern Petroleum's check for the first month's estimated expenditure. Thereafter, Newmont will bill Southern Petroleum monthly for the estimated expenditure for the succeeding month on the basis of the expense authorized by such A.F.E.

Southern Petroleum within five days after receipt of such estimates will submit its check in payment of such estimated expenditures.

Except for this initial plan, budget and A.F.E. which will cover the major expenditures in connection with the development of Subject Acreage, it is not contemplated that any additional plans or budgets for the operating of subject acreage will be submitted for approval during the term of this agreement.

It is understood, however, that Newmont may spend without prior specific authority such sums as it deems necessary or advisable for Southern Petroleum's account up to \$1,000.00 per expenditure; and in the case of an emergency Newmont may expend such sum in excess of \$1,000.00 without prior authorization as it considers necessary. Newmont will notify Southern Petroleum of any such previously unauthorized expenditure as made and as soon thereafter as convenient shall submit a statement to Southern Petroleum for such expenditure. Southern Petroleum within five (5) days after receipt of same shall pay such statement.

V.

Newmont shall furnish Southern Petroleum monthly progress reports setting out all pertinent information with regard to the operation of Subject Acreage.

VI.

To compensate Newmont for its operation and supervision of Subject Acreage and to reimburse it for its expenses in connection therewith, a monthly charge of \$240.00 shall be made to Southern Petroleum.

In addition Newmont shall bill Southern Petroleum and Southern Petroleum shall pay each month for all the water metered into Southern Petroleum's water input wells. The charge for the water will be at the per barrel rate equal to the amount Newmont pays Yucca Water Company for such water plus an extra charge of 1¢ per barrel to defray Newmont's expense of pressuring such water for injection purposes.

Southern Petroleum in addition will pay as direct charges all other costs and expenses of developing and operating Subject Acreage, including the salary and expenses of any and all personnel up through and including the pumper level. If Newmont, as contemplated, furnishes the pumper who will take care of the wells on Subject Acreage, Southern Petroleum will be charged a pro-rata share of the cost of maintaining such employee based on the direct ratio between Southern

Petroleum's wells operated by such pumper and the total number of wells for which such pumper is responsible.

Newmont is hereby granted a lien on Southern Petroleum's interest in the Subject Acreage together with the equipment and facilities located thereon to secure the payment of all amounts due or to become due from Southern Petroleum to Newmont. Such lien may be enforced by and at the option of Newmont as a mortgage lien or as any other lien afforded by the law of the State in such cases.

VII.

In the event any claim for damages is made by a third party or a lawsuit is filed by any third party as a result of the development and operation of Subject Acreage under the terms hereof, Southern Petroleum will defend such claim or lawsuit and will hold Newmont harmless in the absence of gross negligence on the part of Newmont.

VIII.

This agreement shall in no way affect the obligations of either of the parties hereto to produce the oil from their own wells, and each party shall continue to own and be entitled to all production from its own wells and leases. The duties, liabilities and obligations of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to impose a partnership obligation or liability with regard to the parties hereto. Each party shall be individually responsible only for its obligation as set out herein, and be liable only for its proportionate share of the costs and expenses as herein stipulated.

IX.

This agreement shall not constitute a partnership and each party elects to be excluded from the application of all of Sub-Chapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, pursuant to Section 761 thereof.

X.

R. S. Gaston, whose address is P. O. Box 515, Hobbs, New Mexico is hereby designated by Southern Petroleum as its representative for all purposes under the terms of this agreement.

XI.

No assignment of this agreement shall be made or become effective

unless the written consent of the non-assigning party is first obtained. Subject hereto, and subject to the provisions of the leases, the terms and provisions hereof shall be covenants running with the lands and leases covered hereby, and shall be binding upon and inure to the benefit of the respective parties hereto, their heirs, successors, legal representatives and assigns.

Any sale or transfer by any of the parties hereto of an interest in any lease committed to this agreement shall be made expressly subject to the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written. The effective date however will be June 1, 1961.

ATTEST:

By Roncile Warren
Assistant Secretary

ATTEST:

By L. E. [Signature]
SECRETARY

NEWMONT OIL COMPANY

By Charles G. [Signature]
Vice President

SOUTHERN PETROLEUM EXPLORATION CO., INC.

By [Signature]
PRESIDENT



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico

May 29, 1961

Newmont Oil Company
Fort Worth National Bank Building
Fort Worth 2, Texas

Attention: Mr. Charles C. Langdon

Gentlemen:

Your letter of May 12, 1961, requests approval to initiate a cooperative waterflood in the Grayburg formation in the East Square Lake Field, Eddy County, New Mexico, which will include the following Federal leases:

NM 08131	LC 060528
LC 029426-A	LC 060543
LC 029426-B	LC 060723
LC 029431	LC 060971
LC 029437	LC 063368
LC 029438-B	LC 065561-A
LC 056302-B	LC 068064

You have furnished a plat showing the proposed injection pattern to be used in the cooperative waterflood program which involves staggered injection wells across the individual Federal and State lease lines.

Your proposal is approved as to the above described Federal leases subject to the condition that the oil produced from each Federal lease shall be individually measured and sold.

The appropriate notices to convert wells to water injection wells should be filed with the District Engineer, U. S. Geological Survey, Drawer U, Artesia, New Mexico. Duplicate copies of a monthly progress report should be submitted to this office including the amount of water injected into each well and average injection pressures.

Very truly yours,

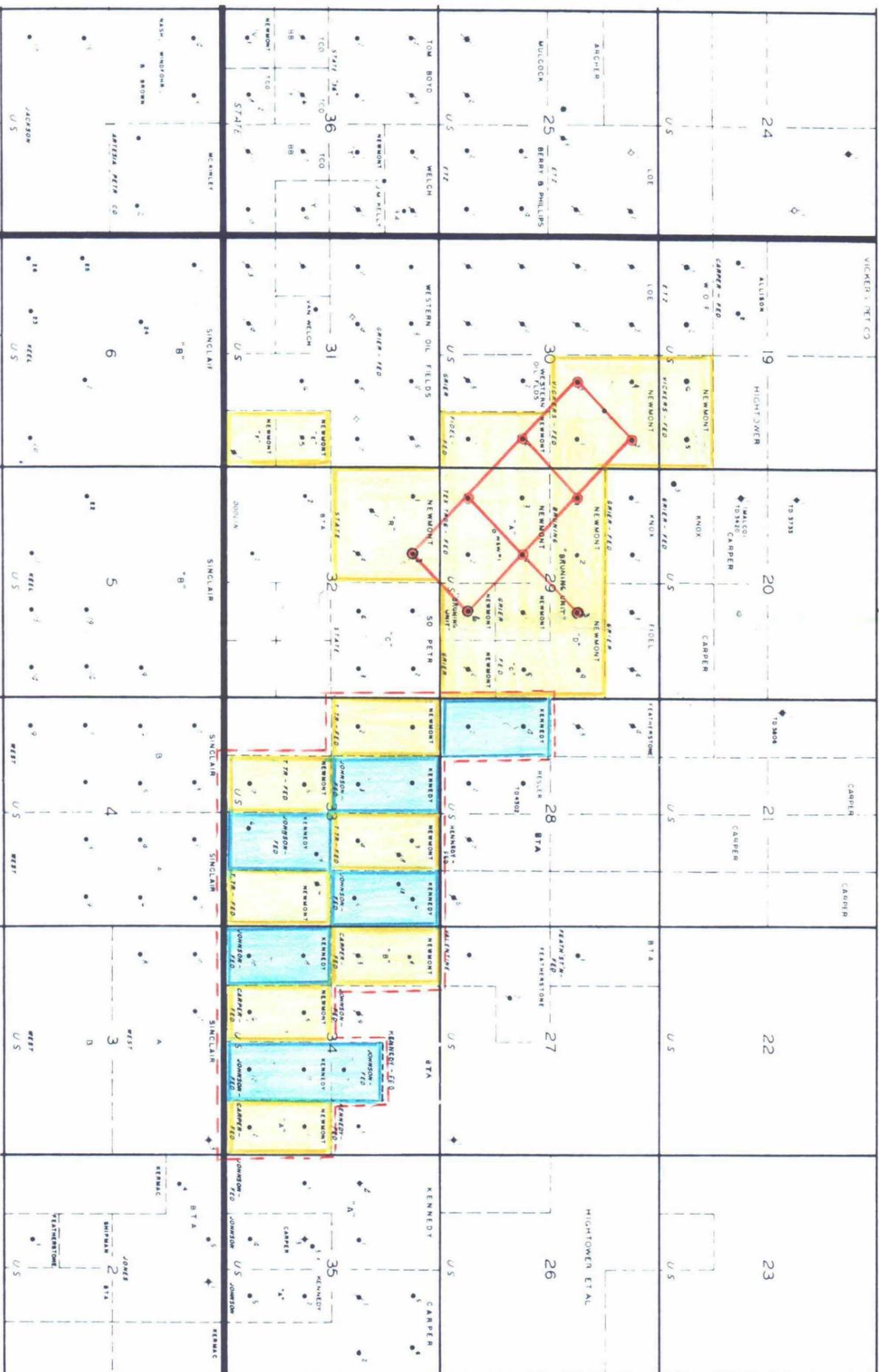
John A. Anderson
Regional Supervisor

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u> </u>
CASE NO. <u>2997</u>

5-11X

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SQUARE LAKE FIELD
 EDDY COUNTY, NEW MEXICO
 NEWMONT OIL COMPANY

- Outline Cooperative Area
- Newmont Property
- Kennedy Property
- Water Injection Well

FOUR EXAMINER NUTTER
 INSERVATION COM/MISSION
 EXHIBIT NO. 2299