

WFX - 111

due July 12/62

NEW MEXICO OIL CONSERVATION COMMISSION

Loco Hills, New Mexico
June 26, 1962

New Mexico Oil Conservation Commission
P. O. Box 791
Santa Fe, New Mexico

Attention of Mr. Dan Nutter

Gentlemen:

The undersigned company, owner of Nunlee Lease Las Cruces 629195, has entered into a cooperative waterflood agreement with Neil A. Salsich, which covers that portion of said lease which underlies the Northeast Quarter and North Half of Southeast Quarter of Section 35, Township 16 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

Pursuant to Commission Order No. R-2269 we are requesting administrative approval to the conversion of Nunlee No. 5, located 2310 feet from North line and 330 feet from East line of said Section 35, to a water injection well.

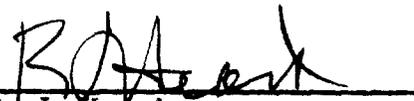
Enclosed is Form C-102 which outlines our proposed conversion program. Copies of this form have been sent to all offset operators and to the State Engineer. ✓

Production from the above lease will be in accordance with Rule 701.

Very truly yours,

GENERAL AMERICAN OIL COMPANY OF TEXAS

By


R. J. Heard

District Superintendent

RJH/rfm

Encl



STATE OF NEW MEXICO

STATE ENGINEER OFFICE

SANTA FE

S. E. REYNOLDS
STATE ENGINEER

July 25, 1962

ADDRESS CORRESPONDENCE TO:
STATE CAPITOL
SANTA FE, N. M.

Re: General American Oil Co. of Texas
Conversion of Nunlee Well No. 5 to
water injection

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

This office has received notice that the General American Oil Company of Texas proposes to convert the Nunlee Well No. 5 to a water injection well.

The State Engineer offers no objection to the request, provided the injection is made through plastic coated tubing and packer as described in Form C-102 dated June 26, 1962.

Yours truly,

S. E. Reynolds
State Engineer

By: *D. E. Gray*
D. E. Gray
Engineer
Water Rights Division

DEG/ma
cc-Mr. R. J. Heard
F. H. Hennighausen

COOPERATIVE WATER FLOOD AGREEMENT

THIS AGREEMENT made and entered into by and between GENERAL AMERICAN OIL COMPANY OF TEXAS (hereinafter called "General American") and NEIL E. SALSICH, LTD (hereinafter called "Salsich"),

W I T N E S S E T H:

WHEREAS, each of the parties hereto represents that is the owner of the respective valid and subsisting oil and gas lease or leases set forth in Exhibit "A" which is attached hereto and made a part hereof, covering lands in the Square Lake Field, Eddy County, New Mexico, as shown on the plat marked Exhibit "B" which is attached hereto and made a part hereof, and that it is currently producing oil from the Premier Sand through a well or wells located on the lands covered by its respective lease or leases; and

WHEREAS, the parties desire to provide for the conversion of the hereinafter specified wells by the owner of the lease upon which each such well is located into water input wells, all for the purpose of investigating and conducting a cooperative water flood program along the common boundary lines between said leases to the end that a greater ultimate recovery of oil may be obtained from the Premier Sand underlying the lands covered by the leases set forth in Exhibit "A";

NOW, THEREFORE, for and in consideration of the premises, and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

I.

This agreement shall relate to and cover only the secondary recovery of oil in place by water flooding the formation known and referred to as the Premier Sand which underlies the lands covered by the leases described in Exhibit "A" at an average depth of 2550 feet to 2650 feet.

II.

Each party agrees to use its best efforts to secure the required approval and permit from the New Mexico Oil Conservation Commission to conduct water flooding operations in the Premier Sand underlying the lands covered by its respective lease or leases, and the obligations of each party hereunder are subject to each party securing such approval and permission within ninety (90) days after the

effective date hereof, to the terms and provisions of its respective approval and permit, to the rules and regulations of said Commission, to the rules and regulations covering operations on leases granted by the United States of America, where applicable, and to the orders of any other governmental body having jurisdiction.

III.

Each party agrees that it will, at its sole cost, risk and expense, convert the following specified wells (as shown on Exhibit "B") that are located on its respective lease or leases, into water input wells through which water can be injected into the Premier Sand:

General American
Nunlee Federal Lease
Well #5

Salsich
Hollis State Lease
Well #1

Leonard State Lease
Well #5

Each party agrees that it shall perform such work as is necessary so that the entire Premier Sand interval in each well which it is to convert to a water input well, pursuant to Section III hereof, shall be open (or perforated) and as clean as possible and that it shall take such steps as are necessary to provide that each such well which it is so converting will take the volume of water to be injected into the Premier Sand existing in such well at the rates and pressures hereinafter specified; provided, however, each party shall be required to use only good faith efforts and shall not be required to perform remedial work which is not reasonable and in accord with good engineering practices which a prudent operator would apply under the same or similar circumstances.

IV.

No wells other than those specified in Section III above shall be operated by either party as a Premier Sand injection well on such party's lease, as specified in Exhibit "A", at a location nearer than three hundred thirty feet (330') to the common boundary line between its said lease and the leases of the other party without the prior written consent of the other party.

V.

During the period of time in which the conversion operations specified in Section III hereof are being performed each party responsible for performing any such operations shall keep the other party hereto advised of the progress being made toward having its water input well or wells in operational order.

Each party agrees that it shall commence the injection of pressured and processed water into each of the wells which it has converted pursuant to Section III hereof within 60 days after Salsich shall have completed construction of its water processing plant and facilities or at such earlier date as may be mutually agreed upon by all parties; provided, however, that in the event the injection of water into the wells to be converted pursuant to Section III hereof has not been commenced within 6 months after the effective date hereof, then this agreement shall terminate and be of no further force and effect. Each party further agrees to continue to operate each input well which it has converted pursuant to Section III hereof, to make such repairs and to take such remedial action as is necessary to maintain each such input well in operational order, and to inject processed and pressured water at the rates and pressures hereinafter specified into the Premier Sand through each such water input well during the term of this agreement.

Subject to the provisions of Section XII hereof, all cost and expense incident to the conversion and operation of each water input well, specifically including the cost of processed and pressured water injected into each such input well and the cost of all repairs and remedial work with regard to such well, shall be borne by the party hereto who is the owner of the lease upon which such well is located.

VI.

The water injected into the Premier Sand through each of the input wells provided for in Section III hereof shall be injected at line pressure, or at such other pressure as shall be mutually agreed upon by the parties hereto; provided, however, that each party agrees to use its best efforts not to inject water into any of its input wells under such conditions so as to cause the bottom hole pressure for such well to exceed formation breakdown pressure.

Except as is otherwise provided in the succeeding paragraphs of this Section VI, each party agrees to use its best efforts to inject pressured and processed water into the Premier Sand through each input well which it has converted pursuant to Section III hereof at a rate of 100 barrels of water per day, or at such other rate of injection as may be agreed upon by the parties.

VII.

Salsich agrees, so long as it continues to operate a water processing plant and facilities in the Square Lake Field, Eddy County, New Mexico, to sell General American, upon demand, a sufficient daily volume of processed and pressured water to permit it to satisfy its obligations hereunder; provided, however, that if Salsich should, for any reason, be unable at any time to deliver to General American, upon demand, a sufficient daily volume of processed and pressured water to permit to satisfy its obligations hereunder, then Salsich shall deliver to General American a proportionate share of the daily volume of water processed through Salsich's plant, based upon the total number of water input wells then being serviced by such plant. The water so sold to General American shall be delivered to it at a point on the common boundary line between the leases described in Exhibit "A", such delivery point and metering procedures to be agreed upon between the parties. The line from the plant to the point of delivery for all water so sold shall be installed, maintained and operated by Salsich at its own cost and expense. Salsich shall invoice General American monthly for all water so delivered during the previous month and General American shall promptly pay Salsich at the rate of 5¢ per barrel for all water so delivered.

If, at any time during the term of this agreement, either party does not have available to it a supply of water (including pressured water and water being produced from the Premier Sand) which is sufficient in volume to allow it to inject water into all input wells then being operated by it at the injection rates established therefor, as hereinabove provided, then so long as such shortage or failure of water supply continues, such party agrees to prorate the water available to it among the water input wells then being operated by it hereunder on the basis of the average daily volumes of water injected into each of such input wells during the calendar month prior to the month during which such shortage or failure of water supply occurred

and the obligations of such party hereunder to inject water into each of its input wells shall be correspondingly reduced to equal the portion of the available supply so prorated to each such well.

VIII.

Each party agrees that it shall maintain records of the following information with respect to all producing and input wells located upon its lease or leases as described in Exhibit "A", and that it shall furnish such information to the other parties monthly:

1. Completion data on water input wells;
2. Number of days operated, daily volume of water injected and injection pressures on each water input well; and
3. Number of days operated, and daily volumes of oil and water produced from each producing oil well.

IX.

This agreement is not intended to affect, nor is it to be construed as affecting the rights and obligations of each party to produce oil from the wells located upon its lease or leases, and each party shall 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 any of the parties hereto. Each party shall be individually responsible only for its obligations as set out herein, and shall be liable only for its own costs and expenses incurred in complying with the terms of this agreement.

X.

It is understood and agreed among the parties hereto that the creation, or attempted creation of an artificial water drive by the injection of water into the Premier Sand through the water input wells provided for in Section III hereof is a reasonable and prudent producing and engineering practice, and is sufficient and adequate to protect the rights of the parties hereto. It is further agreed that no party hereto shall be deemed to be guilty of trespass by the injection of water into the Premier Sand underlying its lease or leases pursuant to the terms of this agreement, and that each party does hereby assume the risks incident to the

cooperative water flood plan and, therefore, does hereby release the other parties from any or all damages, claims or causes of action relating to the water flood operations to be conducted hereunder.

XI.

Force Majeure as that term is used herein shall mean an act of God, strike, lockout or other industrial disturbance, act of public enemy, war, blockade, public riot, lightening, fire, storm, flood, explosion, governmental restraint or decree, unavailability of materials and equipment and any other causes whether or not of the character enumerated above which is not within the reasonable control of the party claiming suspension. Whenever as a result of force majeure any party hereto is rendered unable wholly or in part to carry out its obligations under this agreement, the obligations of such party shall be suspended during, but not longer, than the continuance of the force majeure. Any party so prevented shall use due diligence and good faith in an attempt to eliminate the cause so preventing his compliance with this agreement. The requirement that any force majeure shall be remedied with due diligence shall not require the settlement of strikes, lockouts or other labor difficulties by the party involved, contrary to its wishes; however, all such difficulties to be handled shall be entirely within the discretion of the party concerned.

So long as either party's obligations with respect to converting and operating its water input well or wells are suspended as the result of force majeure, the corresponding obligations of the other party to convert or operate its water input well or wells are also suspended.

XII.

If at any time any party hereto desires to either plug and abandon a water input well which it has converted pursuant to Section III hereof and which is located upon its lease or ceases injecting water into the Premier Sand through such input well as a result of such well being lost or because such party is of the opinion that the continued operation of such well is no longer beneficial, such party (hereinafter in this Section XII called the "abandoning party") shall notify in writing the other party of such desire. The party so notified shall have thirty (30) days from the receipt of such notice within which to elect to take over the

operation of said input well and continue to inject water into the Premier Sand through such well. If the notified party elects to take over such input well, the abandoning party agrees to grant such other party the right to continue to operate said input well for the sole purpose of injecting water into the Premier Sand, subject, however, to the terms and provisions of the oil and gas lease covering the lands upon which said input well is located, to said lease remaining in force and effect and to said party who is to take over the operation of said well obtaining any easements and/or additional rights incident to the continued operation of said input well from persons other than parties to this agreement and further agrees to designate such other party as operator of such input well, as required by the governmental body having jurisdiction. Upon receipt of payment for the salvable value of the material and equipment in and on said input well less the estimated cost of salvaging such material and equipment and of plugging and abandoning said well, the abandoning party shall assign and transfer his interest in such material and equipment to the other party by an instrument in recordable form, which instrument shall also grant to such other party the rights described in the preceding sentence. Either party acquiring an input well pursuant to this section agrees to operate such acquired well in accordance with the terms and provisions of this agreement, to assume full responsibility for the plugging and abandonment thereof in accordance with applicable rules and regulations, and to indemnify and save the abandoning party harmless against any and all claims and causes of action regarding or resulting from the continued operation of said input well by the electing party or parties.

If the notified party does not make the authorized election within said thirty (30) day period, the party originally giving said notice may plug and abandon such well or cease injecting water into the Premier Sand through it.

XIII.

The effective date for this agreement shall be the first day of the first month following the execution hereof by the parties hereto. Each party shall be deemed to have executed this instrument as of the date of its acknowledgment.

XIV.

Subject to the other provisions hereof, this agreement shall remain in force and effect so long as water is being injected into the Premier Sand through any of the input wells provided for herein.

XV.

Any notice to be given hereunder shall be deemed to have been given when such notice in writing shall have been deposited in the United States mail, postage prepaid, and addressed to the parties at the following addresses:

General American Oil Company of Texas,
Meadows Building,
Dallas 6, Texas.

Neil E. Salsich, Ltd.,
716 First National Bank Bldg.,
Midland, Texas.

Any party may change its address by giving appropriate written notice to the other parties hereto.

XVI.

The terms, covenants, and conditions hereof shall constitute covenants running with the respective leasehold estates and extend to, be binding upon, and the parties hereto, and their respective heirs, personal representatives, successors and assigns.

This instrument may be executed in counterparts by all parties and shall have the same effect as if each party hereto had executed each of such counterparts.

ATTEST:

GENERAL AMERICAN OIL COMPANY OF TEXAS

Gene L. Hayes
ASSISTANT Secretary

By

Neil E. Salsich
Vice President

NEIL E. SALSICH, LTD

By

Neil E. Salsich

STATE OF Texas)
COUNTY OF Dallas)

BEFORE ME, the undersigned, a Notary Public, within and for said County and State, on this 4th day of June, 1962, personally appeared N. W. Krauskop, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires

June 1, 1963

Elizabeth K. Coleman
Notary Public

STATE OF _____)
COUNTY OF _____)

BEFORE ME, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President and acknowledged to me that he executed the same as h free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires

Notary Public

State of Texas)
COUNTY OF Madison)

On this 5th day of June, 1962, before me personally appeared Neil E. Sabich, to me known to be the person described in and who executed the foregoing instrument in behalf of Neil E. Sabich L.H. and acknowledged that he executed the same as the free act and deed of the said Limited Partnership.

In witness whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My Commission expires

Jan. 1, 1963

James S. Woods
Notary Public

EXHIBIT "A"

General American Oil Company of Texas

Nunlee Federal Lease being Federal Lease No. LC 029195 insofar as said lease covers oil and gas rights under the following described land:

NE/4 and N/2 of the SE/4 of Section
35, T-16-S, R-29-E, Eddy County, New
Mexico.

Neil E. Salsich, Ltd.

1. Hollis State Lease being State Lease No. E-785 insofar as said lease covers oil and gas rights under the following described land:

NE/4 SE/4; N/2 SW/4 and SW/4 NW/4
of Section 36, T-16-S, R-29-E, Eddy
County, New Mexico.

2. Leonard State Lease being State Lease No. B-2175 insofar as said lease covers oil and gas rights under the following described land:

S/2 NE/4, N/2 NW/4, SE/4 NW/4,
SE/4 SW/4, W/2 SE/4, and SE/4 SE/4
of Section 36, T-16-S, R-29-E, Eddy
County, New Mexico.

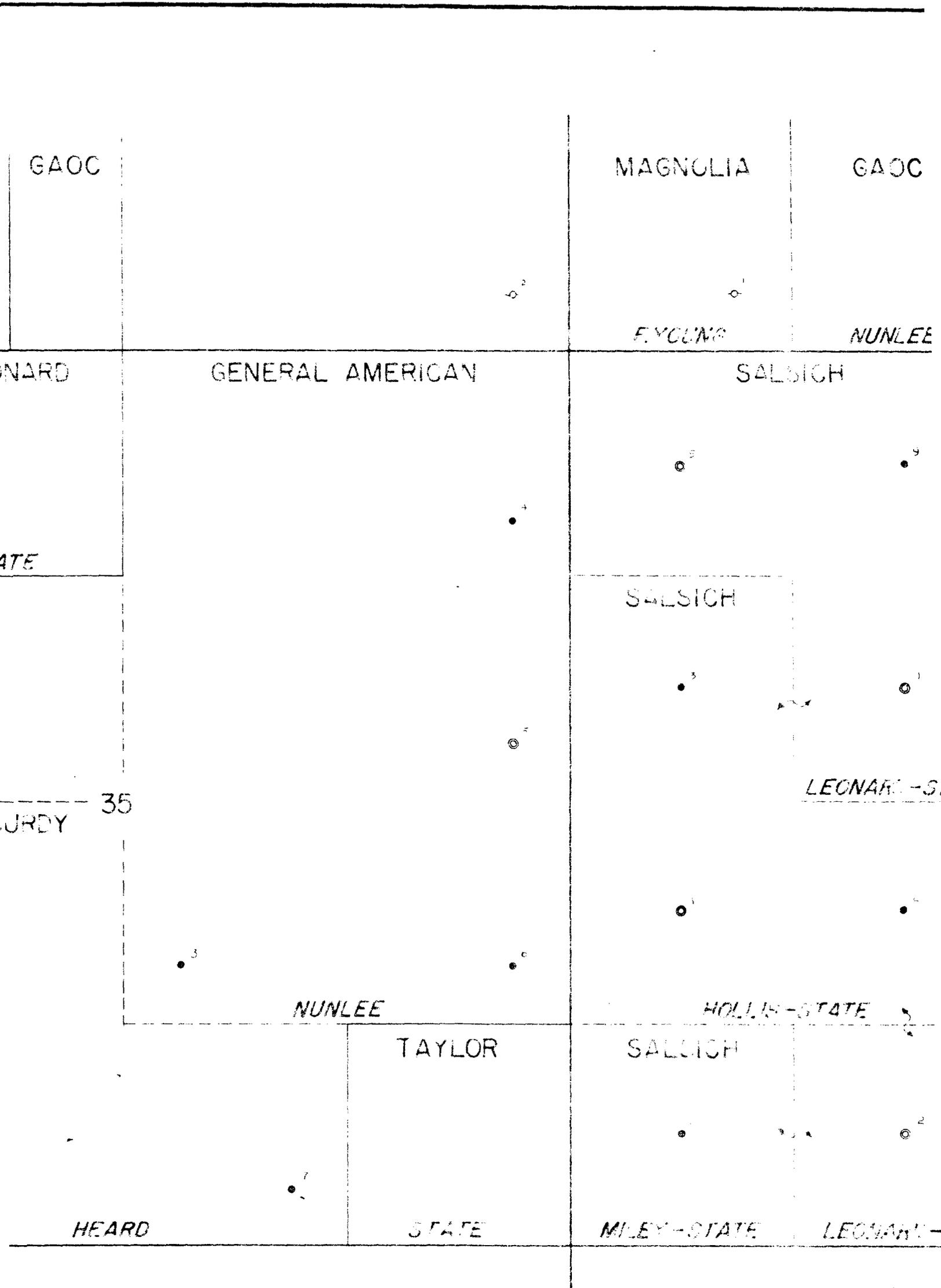


EXHIBIT "B"

GENERAL AMERICAN OIL
 SQUARE LAKE FIELD
 T-10-S-1-10-E
 EDDY COUNTY, NEW MEXICO
 SCALE 1"=40'
 DRAWN BY: C. J. S-3-PC

OIL WELL
 WATER WELL
 INJECTION WELL

BY	DATE	REVISION