

COOPERATIVE AGREEMENT FOR WATER FLOODING

THIS AGREEMENT made and entered into on this the 28th day of October, 1952, by and among GULF COAST WESTERN OIL COMPANY, a corporation, hereinafter designated as "Gulf Coast Western", SKELLY OIL COMPANY, a corporation, hereinafter designated "Skelly", and HUMBLE OIL & REFINING COMPANY, a corporation, hereinafter designated "Humble".

WHEREAS, said parties respectively represent that they are the owners of the oil, gas and mineral lease or leases set out and described in connection with their respective names on the Schedule of Leases attached hereto and marked Exhibit "A" for identification and made a part hereof by reference, insofar as said lease or leases cover and affect the following described land in Lea County, New Mexico, to wit:

Section 34, T-22-S, R-37-E, Lea County, New Mexico

WHEREAS, all parties hereto desire to provide for the conversion of certain wells on said leases into water input wells to the end that said wells may be used for cooperative pilot water flood project purposes in the Queen Sand lying in and under the above-described land;

NOW, THEREFORE, for and in consideration of the premises the parties hereto agree as follows:

1.

That GULF COAST WESTERN shall with reasonable promptness convert and equip, for water input purposes into the Queen Sand, T. O. May Well No. 1, NW/4 NE/4 and Humble State Well No. 1, NW/4 SE/4, both in Section 34, T-22-S, R-37-E, Lea County, New Mexico. The cost and expense of converting, equipping and operating said input wells shall be borne by GULF COAST WESTERN.

2.

That SKELLY shall with reasonable promptness convert and equip, for water input purposes into the Queen Sand, H. O. Sims Well No. 8, SE/4 SW/4, and Well No. 9, NW/4 SW/4, both in Section 34, T-22-S, R-37-E, Lea County, New Mexico. The cost and expense of converting, equipping, and operating said input wells shall be borne by SKELLY.

3.

That HUMBLE shall either recomplate and equip, for water input purposes into the Queen Sand, State "H" Well No. 5, SE/4 NW/4, Section 34, T-22-S, R-37-E, Lea County, New Mexico, or, at its election, drill and equip a well in the same governmental quarter quarter section for water input purposes into the Queen Sand. It is understood and agreed that Humble shall have the right to delay said recomplate or drilling for a period of sixty (60) days after water injection has begun in any GULF COAST WESTERN or SKELLY water input well hereinabove provided for in order to observe the operation of said water input well. At the end of said sixty (60) days, if the water input well under observation has shown that adequate volumes of water can be injected into the Queen Sand, then HUMBLE shall, with reasonable promptness thereafter, either recomplate, or at its election, drill the water input well hereinabove provided for.

4.

The rate of injection of water into each of said wells, when so converted or drilled, shall be approximately equal, the number of barrels injected per day to be mutually agreed upon between the parties. The injection wells shall be kept in proper repair and records maintained of the volumes of water injected and injection pressures required. Each party shall furnish the other parties

hereto with monthly reports showing the amount of water injected into its input well, or wells, and the injection pressure required.

5.

All costs and expenses for obtaining, transporting and injecting water into the aforementioned input wells shall be borne respectively by each company upon their own leases.

6.

It is understood that this project is primarily experimental and any party hereto may withdraw from participation therein by giving 60 days written notice directed to each of the other parties at its last known business address. Said notice may be given at any time after any well on the lease or leases of the party giving notice has actually begun to serve as a water input well in the Queen Sand; however, it is understood and agreed that water injection into said well shall continue during said 60 day period subsequent to the giving of notice at the rate provided in Paragraph 4 above.

It is further understood and agreed that, after consent of all parties hereto has been obtained, this project may be extended to other leases in accordance with the terms and conditions mutually agreed upon between the parties.

7.

In the event that any party hereto desires to plug and abandon any water input well or wells, written notice of such desire shall be directed to each of the other parties hereto at its last known business address, and the other party, or parties, or either of them, shall have for a period of 30 days from receipt of such notice an option to acquire the water input well or wells of the party desiring to plug and abandon same together with the pipe and equipment therein and thereon at a price equivalent to the salvage value of said pipe and equipment less the cost of plugging and abandoning said well or wells. In the event said option is exercised, the party desiring to plug and abandon its water input well or wells shall assign without warranty of title, such acreage and operating rights under its lease or leases as are necessary for the continued operation of said injection well or wells by the party exercising the herein provided option.

8.

It is further understood that this agreement may be extended to include additional leases and additional operators under terms and conditions mutually agreed upon between the parties hereto and parties seeking to participate in water flooding the Queen Sand.

9.

This contract shall in no way affect the obligation of either party hereto to produce the oil from its own wells, and each party shall be entitled to all production from its own wells and leases. The duties, liabilities and obligation 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 same are set out herein and shall be liable only for its proportionate share of the cost and expenses as herein stipulated.

10.

All the provisions of this agreement are hereby made subject to the conservation laws of the State of New Mexico and to the valid rules and regulations of the Oil Conservation Commission of said State, and to all other applicable state and federal laws, rules, and regulations.

11.

All obligations of any party hereto shall be suspended while, but only so long as, said party is prevented from complying with such obligations, in part or in whole, by strikes, lockouts, Acts of God, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, acts of the public enemy, wars, blockades, riots, epidemics, or in any and all other matters beyond the reasonable control of said party, whether similar to the matters herein specifically enumerated or not; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and, provided further, that no party hereto shall be required against its will to adjust any labor dispute.

12.

The terms, covenants and conditions hereof shall run in favor of and be binding upon the parties hereto, their successors and assigns. All counterparts of this instrument, executed by one or more parties, shall be construed together and have the force and effect of one instrument as if all executing parties had signed that instrument.

SIGNED the day and year first above written.

ATTEST:

GULF COAST WESTERN OIL COMPANY

BY: _____

ATTEST:

SKELLY OIL COMPANY

BY: _____
Vice-President

ATTEST:

HUMBLE OIL & REFINING COMPANY

BY: _____

EXHIBIT "A"

SCHEDULE OF LEASES

Attached to and made a part of that certain "COOPERATIVE AGREEMENT FOR WATER FLOODING" dated October 28, 1952, by and among GULF COAST WESTERN OIL COMPANY, SKELLY OIL COMPANY, and HUMBLE OIL AND REFINING COMPANY.

LEASES OWNED BY GULF COAST WESTERN OIL COMPANY

Lease dated October 2, 1935, by and between Thomas O. May, and Wife, Ruby May, as Lessors, and Repollo Oil Company, as Lessee, recorded in Volume 18, Page 635, of the records of Lea County, New Mexico, covering the NE/4 of Section 34, T-22-S, R-37-E, Lea County, New Mexico.

Lease dated June 6, 1932, by and between the State of New Mexico, as Lessor, and Humble Oil and Refining Company, as Lessee, State Lease No. B-934, approved and filed with Commissioner of Public Lands July 27, 1932, covering SE/4 of Section 34, T-22-S, R-37-E, Lea County, New Mexico.

LEASES OWNED BY SKELLY OIL COMPANY

Lease dated April 1, 1926, by and between Hugh O. Sims, as Lessor, and Frank W. Dauron, as Lessee, recorded in Book 4, Page 149, of the records of Lea County, New Mexico, covering the SE/4 of Section 33, the SW/4 of Section 34, both in T-22-S, R-37-E, and the N/2 NW/4 and SW/4 NW/4 of Section 3, the NE/4 of Section 4, both in T-23-S, R-37-E, all in Lea County, New Mexico.

LEASES OWNED BY HUMBLE OIL AND REFINING COMPANY

Lease dated June 6, 1932, by and between State of New Mexico, as Lessor, and Humble Oil and Refining Company, as Lessee, State Lease No. B-934, approved and filed with Commissioner of Public Lands July 27, 1932, covering among other lands the NW/4 of Section 34, T-22-S, R-37-E, Lea County, New Mexico.