

VAL R. REESE & ASSOCIATES, Inc.

OIL & GAS

PHONE CHAPEL 3-3569

ALBUQUERQUE, NEW MEXICO

LOBBY OF SIMMS BUILDING

April 24, 1962

**Mr. Harry L. Bigbee
Bco, Inc.
P. O. Box 669
Santa Fe, New Mexico**

Dear Mr. Bigbee:

Upon your acceptance hereof, it is agreed by you and your associates and Val R. Reese & Associates, Inc., (hereinafter referred to as "Reese"), as follows:

1. You will purchase, for the sum of \$20,000.00 cash, the casinghead gas compressor identified as the Kenney Compressor located in Section 23, Township 24 North, Range 7 West, NMPM, presently owned and operated by Reese. The purchase includes all facilities located in the immediate vicinity of the Kenney Compressor and which are used in connection with the operation thereof.
2. It is understood that you or your agent and employees will operate the compressor facility and will continue to process gas through the compressor from wells presently connected thereto and that the charge made to that portion of the gas from the wells connected to the compressor which is attributable to the interest of Reese will be compressed on the basis of charges presently being made. It is further understood that in the event that the working interest value of casinghead gas from any well is not equal to the minimum charge for compressing, which is now being made, that the minimum charge on the present basis will be waived and you will retain the proceeds of the sale of such casinghead gas for application against compression costs.
3. Meters are to be installed on all wells which do not presently have meters and the cost thereof shall be born by the well whose gas is being measured by the meter. All meters presently installed and all pipe and fittings by which any well in which you have an interest is connected to the compressor will be considered as owned by the well being served through the use of such equipment.

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Ampt</i>	EXHIBIT NO. <u> </u>
CASE NO.	<u>2738</u>

Mr. Harry L. Bigbee

April 24, 1962

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4. Reese will continue to own and operate the compressors designated as the VanDenburgh, Sperling and the Connie compressors and will continue to make charges as presently made for compression of casinghead gas, provided however that in the event a well connected to any of these compressors is unable to return to the working interest an amount sufficient to meet the minimum compression charge as presently imposed, the minimum charge will be waived and Reese will retain the proceeds of sale of such casinghead gas from any such well or wells for application against compression costs and maintenance. It is again understood that meters will be installed on each well in which you have an interest and that the cost of such installation will be assessed against the well being served by the meter and that meters presently installed and lines presently in place connecting these wells to the compressor system will be owned by the well being served by such equipment. The operator of the respective compressors will assume responsibility for and shall have the control of the meters and the lines measuring and transporting gas to the respective compressors, provided however that the operator of any of the above named compressors shall cause a periodic inspection to be made of meters by independent qualified persons and the results of such inspection shall be communicated to the non-operating party to this agreement. This inspection may be witnessed by the non-operator. The cost of such inspection to be born by the compressor system upon which the inspection is conducted. The interval of time between inspections shall be as mutually agreed upon.

As a further consideration for the foregoing agreement, it is understood and agreed that subject to final balancing of well accounts for expenditures made or expenses incurred, which balancing shall occur on or about May 3, 1962, that the parties hereto agree that all claims and demands arising prior to said date and relating to expenditures, accounting for production and all other matters in connection with the operation by Reese of the compressors heretofore mentioned, are fully settled and accounting made and the parties mutually release each other from any further claims or demands arising therefrom prior to said date of May 3, 1962.

Mr. Harry L. Bigbee
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If the foregoing constitutes your understanding of our agreement,
please indicate your acceptance thereof at the place indicated.

Respectfully submitted,

Val R. Reese & Associates, Inc.

By Val R. Reese
Val R. Reese, President

Attest:

James E. Sperry
Secretary

ACCEPTED AND AGREED TO THIS
25th day of April, 1962.

Harry L. Bigbee
Harry L. Bigbee

BIGBEE & STEPHENSON

HARRY L. BIGBEE
DONNAN STEPHENSON
HARL D. BYRD
SANTIAGO E. CAMPOS
MATIAS A. ZAMORA
CHARLES D. OLMSTED

ATTORNEYS AT LAW
BOKUM BUILDING
P. O. BOX 569
SANTA FE, NEW MEXICO

TELEPHONE YUCCA 2-1847
ASSOCIATE IN ALBUQUERQUE, NEW MEXICO
QUINCY D. ADAMS

April 25, 1962

Mr. Val R. Reese
Val R. Reese & Associates, Inc.
Lobby of Simms Building
Albuquerque, New Mexico

Re: Compressor

Dear Val:

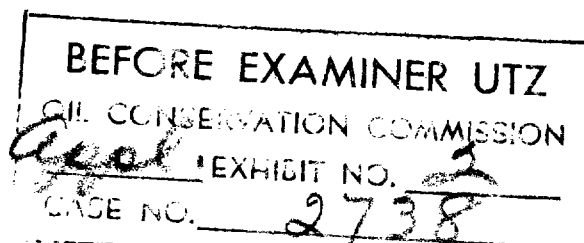
Enclosed find letter agreement of April 24, 1962 executed by your company and also accepted and agreed to and executed by myself, subject to comments and construction of certain items referred to in this letter.

I will have my son deliver this letter, together with a fully executed copy of the letter agreement of April 24, 1962 relating to the compressor, and also a check from Eco, Inc. in the sum of \$20,000.00.

It is my understanding that you will obtain a release of mortgage on the compressor and will make a bill of sale generally describing the equipment. I would appreciate the bill of sale being made to Eco, Inc., which is the entity which is purchasing the compressor and which will operate it.

We have orally discussed a take-over date of the compressor of May 1, 1962. I would appreciate your advising my son of the matters which you will attend to in this connection and the matters that we should attend to.

I am also having a meter ordered immediately for the 1-10 Campos well. I would appreciate your advising my son as to the procedure



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Mr. Val R. Reese
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for installing the meter which should be followed, since this is a cost to be borne by the 1-10 Campos well and owned by the well but, when installed, is to be under your direction and control, since this well is delivering to the Vandenberg compressor.

It is my understanding of the construction and intent of paragraph 2 that the reference to "gas from the wells connected to the compressor which is attributable to the interest of Reese" includes a 100% interest of the gas from the Blakely, Love and Kenney wells, even though your company does not own a 100% working interest in the Love and Blakely wells, but is the operator of the three wells and does have a working interest therein.

I also note that there is a slightly different wording used in relation to paragraphs 2 and 4 as to the compressor operator's obligation. In paragraph 2 it states in part: " . . . will operate the compressor facility and will continue to process gas." Paragraph 4, relating to the Vandenberg, Sperling and Connie compressors, spells out the obligation of the operator in part as follows: " . . . own and operate the compressors . . . and will continue to make charges, etc." This language does not include the language of paragraph 2 of continuing to process gas through the compressor, etc. I am assuming that even though the language is slightly different that the obligation of both compressor owners is identical, and I have executed the agreement based upon this construction.

A literal reading of the letter might indicate that a separate meter would have to be put upon each of the three Lybrook wells now being metered by one meter and producing into a common battery. It is my understanding, however, that this is not the intent and that these three wells may be metered through one meter. I have advised you, however, that if you desire, we would have the wells purchase a separate separator so that the production of the 4-22 and 6-22 could be measured both as to gas and oil separately from the 2-22. You have indicated that you do not believe this to be advisable, since it would merely increase the well cost by an additional separator and meter, and that the present methods of allocating production will continue until such time, if it should ever arrive, that one or both of us should feel that the wells should be separately produced and

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measured, in which event, however, there would be no purpose for a meter except one for the 2-22 and one for the two remaining Lybrook wells.

The letter agreement does not spell out that drip accumulated at the respective compressors in the 100-barrel compressor tanks belongs to the compressor. We will make the same filing as you have in this regard. I merely mention this in order that this understanding be a matter of record.

Assuming you are in agreement with the remarks and clarifications referred to in this letter, you may immediately accept delivery of the \$20,000 Bco, Inc. check and the signed letter agreement. If you are not in agreement, kindly advise me in order that we will be in complete agreement before the check is cashed.

Very truly yours,



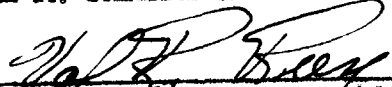
Harry L. Bigbee

HLB:mes
Encls

cc:
Mr. James E. Sperling
Harry R. Bigbee

APPROVED:

VAL R. REESE & ASSOCIATES, INC.

By 
Val R. Reese, President

VAL R. REESE & ASSOCIATES, Inc.

CONSULTING GEOLOGISTS

ALBUQUERQUE, NEW MEXICO

December 18, 1962

PHONE 243-3569

Case
2738

2820 CENTRAL AVE., S.E.

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. Dan Nutter

Gentlemen:

We respectfully ask that very careful consideration be given before the granting of any additional flare orders in the Escrito-Gallup, Devils Fork-Gallup or Lybrook-Gallup Pools. Since it is necessary that gas from some of these wells be compressed through two-stage compressors, the compression costs are high. Wells such as the 1-10 Campos operated by Bco, Inc. and compressed by our VanDenburgh compressor do return a profit to the operator, however.

Our compression charges are based on a flat rate charge for hooking a well up which covers installation of lines and metering facilities, a monthly rental charge of \$235.00 per well and 2¢ per Mcf compression charge for two-stage compression. Rental for a single stage compressor is \$95.00 per month per well and 1¢ per Mcf of gas compressed. In both cases the rental charge drops after the wells have been connected 36 months. In no case does the rental charge exceed the net value of the gas compressed. Wells, such as the Bco 2-31 Bobby B, which produce a relatively small amount of gas therefore return no revenue to the working interest during the first 3 years from the sale of gas. After that time, however, when the charge is simply 2¢ per Mcf a profit will be shown.

It should be mentioned that Val R. Reese & Associates, Inc. are the owners of 40% working interest in both of the above-mentioned wells operated by Bco, Inc. We would be opposed to the granting of flare orders on either of these wells.

Very truly yours,

Lewis C. Jameson

Lewis C. Jameson

LCJ:hk

DOCKET MAILED

Date

1-16-63

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

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

January 30, 1963

Mr. Harry L. Bigbee, President
BCO, Inc.
Post Office Box 669
Santa Fe, New Mexico

Re: Case No. 2738
Order No. R-2411
Applicant:
BCO, Inc.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

12/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Antec OCC x

OTHER Mr. James Sperling

BCO, INC.

SUITE 200, BOKUM PLAZA
POST OFFICE BOX 669
SANTA FE, NEW MEXICO

PHONE 982-1847
AREA CODE 505

December 28, 1962

Clax
9738
2905 EDGECLIFF PLACE
FARMINGTON, NEW MEXICO
PHONE 325-1513

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

*As for next
flaming
pro*

Re: Flare Order on 1-10 Campos J-10-23-7

Dear Sir:

Operating experience and statistics of both this well and wells located in the same pool similarly situated, being the VanDenburgh, Benn and 2-4 Campos wells, establish that the gas from this well cannot be compressed at this time and properly produce the oil from the 1-10 Campos. This well has been on a compressor since April of 1961. The arrangement at this time was such that there were no excessive back pressures.

In November, 1961, the Benn well in Section 9 of this township was connected to the compressor. Due to the volume of gas and it being a gas well, it created excessive back pressures, resulting in a very substantial decline of production of oil. Gas production has barely paid compressor charges. Specific information establishing the foregoing will be available for submission to you at the time of delivering this letter.

I respectfully request that a flare order be granted for a reasonable period of time, subject to further study and subject to the right of revocation of the Oil Commission upon reasonable notice, said flare order to be effective January 1, 1963. For your information, the last gas/oil ratio taken on this well October 1, 1962, showed that the well made 25 barrels of oil, 224 MCF and the cubic feet per barrel was 8.960.

If this flare order does not meet with the Commission's approval, we would appreciate having a hearing at the first convenient time.

Respectfully submitted,

BCO, INC.

By

Harry L. Bigbee
Harry L. Bigbee
President

/dmc

DOCKET MAILED

Date

1-11-63
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