



SINCLAIR OIL & GAS COMPANY

P. O. Box 1470
MIDLAND, TEXAS 79701

HOBBBS OFFICE C. C. C.

JAN 10 7 30 AM '66

December 28, 1965

OFFICE OF VICE PRESIDENT

United States Geological Survey
P. O. Box 4217
Albuquerque, New Mexico

Attention: Mr. William L. Hiss

Gentlemen:

Sinclair Oil & Gas Company, as operator of the South Wilson Deep Unit Well No. 1, located in the NW/4 of the SW/4 of Section 23, T-21-S, R-34-E, Lea County, New Mexico, is preparing to plug and abandon the well and you have requested permission to take over the well for the purpose of investigating water resources in the Capitan Reef. Sinclair, with the approval of the other working interest owners in the unit, makes the following agreement with the USGS:

1. After Sinclair pulls the 7" casing now in the hole, and sets a plug at the bottom of the 9-5/8" casing at approximately 5600 feet, the USGS shall take over the hole and assume all future responsibility and bear all future costs, expense and liability with respect to plugging and abandonment of the well and restoration of the surface and agrees to hold and save harmless Sinclair from any and all costs, expense and liability in connection therewith, excepting only that Sinclair shall remove all material and debris incident to its operations.

2. The South Wilson Deep Unit is a State approved Unit covering leasehold rights below 5200 feet. Wilson Oil Company and Wyoming Oil Company, whose address is P. O. Box 627, Artesia, New Mexico, are the leasehold owners of rights above 5200 feet. Wilson Oil Company and Wyoming Oil Company have granted approval of your operations subject to the following conditions: (A) the USGS will not perforate above 4050 feet; (B) any oil, gas, or associated hydrocarbons recovered above 5200 feet will be the property of Wilson Oil Company and Wyoming Oil Company; (C) any water produced above 5200 feet will be disposed of in a manner acceptable to Wilson Oil Company and Wyoming Oil Company.

