

CASE No.
2766

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1152

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 7, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Tom Brown Drilling Company, Inc.,
for a unit agreement, Eddy County, New Mexico.
Applicant, in the above-styled cause, seeks
approval of the Siegreist Draw Unit Area, com-
prising 7,578 acres, more or less, of State
and fee lands in Township 19 South, Range 23
East, Eddy County, New Mexico.

CASE 2766

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will call next Case 2766.

MR. DURRETT: Application of Tom Brown Drilling Company,
Inc., for a unit agreement, Eddy County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, repre-
senting the Applicant. We have two witnesses we would like to
have sworn, Mr. Morrell and Mr. Higgins.

(Witnesses sworn.)

FOSTER MORRELL

called as a witness, having been first duly sworn on oath, testi-
fied as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?



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PHONE 243-6641

A My name is Foster Morrell.

Q What business are you engaged in?

A Petroleum consulting.

Q In connection with your business as a petroleum consultant, have you ever testified before the Oil Conservation Commission?

A I have.

Q As a petroleum consultant, have you had anything to do with the application of Tom Brown Drilling Company and the unit agreement involved therein in Case No. 2766?

A I have.

Q What did you have to do with that?

A I have prepared an initial application, land maps, and schedule of lands.

(Whereupon, Applicant's Exhibits Nos. A through D marked for identification.)

Q Mr. Morrell, referring to what has been marked as Exhibit A, will you identify that exhibit and state what is shown on that?

A Exhibit A is a land map or plat of the Siegrist Draw Unit Area. As originally prepared, it embraced a total of 7,577.66 acres. Following conferences with the Commissioner of Public Lands and his representatives, it has been agreed that the unit area of the Siegrist Draw shall be reduced to embrace a total of only 3,760.00 acres.



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Q That land is included in the lands which were in the original application, is it not?

A That is correct.

Q And would be covered by the advertising in this case?

A That is correct.

Q But you are now asking for somewhat less or approximately one-half of the area originally applied for?

A That is correct.

Q Is that the area that is outlined in green?

A It is the area outlined in green, and for the record I will describe it as embracing all of Section 21 and 22; in Section 27, the West Half of the Northeast Quarter and the Southeast Quarter; all of Sections 28, 33, and 34, in Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico.

Q I believe on Section 27 I didn't follow your description there. You are deleting from that the East Half of the Northeast Quarter?

A We are deleting the East Half of the Northeast Quarter of Section 27.

Q And the rest of the Section would be included?

A That is correct.

Q Is there any Federal or fee land included in this area?

A This is 100 percent lands of the State of New Mexico.

Q Do you have a schedule showing the ownership of the mineral interests under these lands?



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A That is correct, and that is contained in what has been termed Exhibit B.

Q In connection with Exhibit B, does that depict all of the interest on a percentage basis or just acreage basis?

A On an acreage basis.

Q Do you have the figures on a percentage basis?

A I have the figures. As to working interest ownership within the Siequest Draw Unit, Marathon would have 2,200 acres or 58.511 percent. Kewanee Oil Company owns 640 acres or 17.021 percent of the unit. Carper Drilling Company, Inc. has 560 acres or 14.893 percent. Texaco, Inc. has 240 acres or 6.383 percent. Southern Minerals Corporation owns one-half interest in 80 acres or a net 40, representing 1.064 percent. Jake L. Hammon has a one-half interest in 80 acres, representing a net of 40 acres, or 1.064 percent. And R. K. Williams holds 40 acres, also 1.064 percent.

Q The owners you have listed there, have they all agreed to enter into this unit agreement?

A They have all agreed or indicated they will join or participate in the drilling, or farm out their acreage so that they will be completed.

Q In other words, you anticipate 100 percent participation in the unit?

A At this time we are anticipating that.

Q Referring to what has been marked as Exhibit No. C, will



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you identify that exhibit and state what is shown in it?

A Exhibit C is the suggested basic form for use in forming unit agreements embracing State lands or State and fee lands, as distributed by the Office of the Commissioner of Public Lands.

Q That is a form which has been approved by the Commissioner of Public Lands for use in a unit of this type?

A That is correct.

Q Will there be any changes made in the form of the unit agreement?

A The additions or changes to be made in the form of the unit agreement are limited to the insertion under Section -- well, first we will put insertion in Section 3 of Tom Brown Drilling Company, Inc., as unit operator. In Section 8, which is headed "Drilling to Discovery Well", insert the word "Pennsylvanian" as the formation to be tested at a maximum drilling depth of 8,600 feet. In Section 17, which is headed "Effective Date and Term", we are going to amend the standard form which provides "that the unit agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless extended by the Commissioner or valuable discovery." We are changing the unit term by deleting the words "two years after such date" and inserting in lieu thereof "on February 16, 1964."

Q What is the reason for that?

A The purpose of that is that the majority of the lands



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within the Siegest Draw Unit area will expire by their own terms, most of the leases will expire by their own terms on February 16, 1964. By the change in Section 17 limiting the term of the unit to February 16, 1964, we are not then asking for an extension of the unit beyond the term of the earliest expiration date of any State lease within the unit area.

Q The unit agreement commits the operator to drill a test well?

A That is correct.

Q That is the well you have described as to formation and depth. When is it to be drilled?

A It's required by the terms of the unit agreement under Section 8 to be commenced within 60 days after the effective date of the agreement.

Q In listing the ownership in this unit, you do not show Tom Brown Drilling Company, Inc. as owning any interest?

A They do not own any interest as of this time. By the drilling of the obligation well, they will earn one-half interest in the acreage of Marathon Oil Company.

Q And they will be the unit operator?

A They will be the unit operator.

Q Were Exhibits A, B, C, and D prepared by you or under your supervision?

A A and B were prepared; of course, C --

Q Is the standard form of unit?



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A -- standard form of agreement by the Commissioner of Public Lands.

Q Has this proposed unit been approved by the Commissioner of Public Lands as to area and content?

A As to area and form of the agreement, the unit agreement as now requested, embracing a total of only 3,760 acres has been approved by the Commissioner of Public Lands as of March 6, 1963.

Q Is that shown by Exhibit D?

A That is correct.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits A, B, C, and D.

MR. NUTTER: Exhibits A, B, C, and D will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. A, B, C, and D admitted in evidence.)

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Any questions of Mr. Morrell?

MR. DURRETT: Yes, sir, I have one question.

CROSS EXAMINATION

BY MR. DURRETT:

Q How many parties do you have that have signed at this time?

A In view of the fact that we were negotiating with the Commissioner as to the area, we have not actually had any



signatures because we did not know the area that would be approved until March 6th.

Q But they have all agreed that they would be willing to sign?

A That is correct.

Q Have they been informed that you intended to use the standard form approved by the Commissioner?

A Right, they have.

MR. DURRETT: That's all I have, I believe.

BY MR. NUTTER:

Q Other than the changes which you noted in the standard form of the unit agreement, it will be used in this same form?

A That is correct.

MR. NUTTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. KELLAHIN: If the Examiner please, I would like to call Mr. John W. Higgins; and in connection with his testimony I would like to ask that the Commission receive the application with the exhibits attached thereto as an exhibit in this proceeding, for the reason that it contains the geological report and maps based on seismic information which will be referred to by Mr. Higgins in his testimony.

MR. NUTTER: We have a copy of this report and it will be a part of the record.

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JOHN W. HIGGINS

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A John W. Higgins.

Q By whom are you employed and in what position?

A Marathon; I am District Geologist for West Texas-New Mexico District.

Q Have you ever appeared before the New Mexico Oil Conservation Commission as an expert geologist and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, sir.

Q (By Mr. Kellahin) Are you familiar with the application of Tom Brown Drilling Company, Inc., in Case 2766?

A Yes, sir, I am.

Q In connection with this application, have you read the geological report that was attached as an exhibit to the application that was prepared by Mr. James Day?

A Yes, sir, I have.

Q Are you in agreement with the content of that report?



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A Yes, sir, I am.

Q Attached to the application is a plat showing the formations involved here on interpretive data. Did you prepare that? That's the map showing the seismic information?

A Yes, sir.

Q Or was it prepared --

A It was prepared under my supervision.

Q On what basis did you prepare that exhibit, Mr. Higgins?

A That exhibit was prepared using basic data from a rather large seismic survey conducted by our company, not only covering this area but embracing a much larger area, particularly to the south and southwest, the Indian Basin Area, which is a recent discovery. The survey was made by Independent Exploration Company for Marathon Oil Company, which at that time was the Ohio Oil Company.

Q Could you summarize briefly for the Commission the type of structure that is involved here?

A Yes, sir, I can. The seismic graph indicates it is a typical anticlinal structure with approximately 200 feet of closure on the Siegreest Unit. The trend of the structure is local for the area, in that it tends to parallel the Huapache monocline and Huapache fault, which is a major structure in the area. It is compatible with all the known geology in the area, as far as I am concerned.

Q Is all the acreage which is included in the unit as now

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proposed as shown on Applicant's Exhibit No. A located on this structure?

A Yes, sir, it is.

Q In the event production is found in the area, would it be reasonable to presume that all of the unit area would be productive of oil or gas, or both?

A Yes, sir, I think it would be.

Q A well was proposed in the unit agreement to be drilled to a depth of 8,600 feet. Is that sufficient to test the Pennsylvanian formation?

A Yes, sir, that depth is adequate or more than adequate to completely penetrate and test the entire Pennsylvanian section.

MR. KELLAHIN: That's all the questions I have on direct examination.

MR. NUTTER: Any questions of Mr. Higgins?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Higgins, in your opinion the Pennsylvanian is the target horizon in this unit?

A Yes, that is right. That's the primary objective.

Q In your opinion, if the Pennsylvanian is productive, will it be productive of gas?

A It could be productive of either, Mr. Nutter. The Pennsylvanian, of course, includes a rather substantial amount of sedimentary rocks. In a country as rank as this, rather than



referring to any particular reservoir, I think it would be more proper to use the term Pennsylvanian. We, of course, are thinking of the gas zone which was recently discovered by Sunray-Midcontinent in this immediate area; and also other zones in the area, particularly the Upper Pennsylvanian zone which yielded oil on the Magnolia No. 1 Tres Ranchos approximately three miles northeast of the subject area. I personally believe it is a potential oil and gas area from the entire Pennsylvanian section.

Q Now the Magnolia Tres Ranchos is three miles northeast. How far away is the Sunray DX State "AH" Well?

A Approximately five miles north-northwest.

Q And the Ralph Lowe discovery in the Indian Basin?

A Approximately eleven miles southeast.

Q And all of those were Pennsylvanian gas discoveries?

A Yes, sir. Well, no, the Magnolia Tres Ranchos was completed as a dry hole. However, it had very substantial shows of oil in the Upper Pennsylvanian.

Q Is it going to adversely affect operation of this structure if a decision is made to decrease the application from the former application to the present application?

A You mean from the engineering standpoint, effective drainage of the structure?

Q And effective unit control by the unit operator of the structure?

A No, sir, I do not believe it would.

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Q Is provision made in the unit agreement, or are you acquainted with the unit agreement to that extent, that the acreage can be extended or expanded at a later date?

A Yes, sir. I think it is covered by the subsequent joinder provision. I'm not real familiar with this unit agreement or any unit agreement.

Q It would appear that a good portion of the top closures as indicated by this seismic map is being left out of the unit agreement at this time, would it not?

A No, sir, I would say almost the opposite. Approximately two-thirds of the area within the top closure is included within the unit.

Q But a third is being left out?

A Yes, sir, that is correct.

MR. NUTTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. KELLAHIN: That's all we have in this case.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2766? We will take the case under advisement.

* * * *



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 22nd day of March, 1963.

Ada Dearnley
 NOTARY PUBLIC

My Commission Expires:
 June 19, 1963.

I do hereby certify that the foregoing is a true and correct record of the proceedings before the New Mexico Oil Conservation Commission, Case No. 2766, held on 3/7/63.
Ada Dearnley
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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ALBUQUERQUE, N. M.
 PHONE 243-6631



1964 MAY 11 10 15

2766

May 11, 1964

Tom Brown Drilling Company, Inc.
P. O. Box 5131
Midland, Texas

Re: Siegreast Draw Unit
Eddy County, New Mexico

Attention: Mr. Thomas C. Brown

Gentlemen:

The Commissioner of Public Lands approves as of this date the termination of the Siegreast Draw Unit Agreement.

The termination is approved by one-hundred (100%) percent of the Working Interests of the Unit and termination is effective as of April 16, 1964.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/lmc/v
cc:

Oil Conservation Commission
Santa Fe, New Mexico

RECEIVED
JUN 17 1963
U. S. DEPT. OF THE INTERIOR

June 17, 1963

Mr. Foster Morrell
P. O. Box 1933
Roswell, New Mexico

Re: Siegfried Creek Unit
Eddy County, New Mexico

Dear Mr. Morrell:

The Commissioner of Public Lands has approved as of June 17, 1963, Siegfried Creek Unit Agreement, Eddy County, New Mexico.

We have prepared ten originally signed Certificates of Approval which are enclosing. Also enclosed is Official Receipt No. G-13150 in the amount of Sixty (\$60.00) dollars.

Very truly yours,

W. L. R. R. R.
COMMISSIONER OF PUBLIC LANDS

cc: [unclear]
[unclear] District Supervisor
[unclear] Office

cc: [unclear]
[unclear]

cc: [unclear]
[unclear]

P. O. BOX-888- 1933

PHONES: MAIN 2-5230
OR MAIN 2-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO

June 17, 1963

Mr. A. L. Porter, Jr.
Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Re: Siegreest Draw Unit
Eddy County, New Mexico.

Dear Mr. Porter:

In accordance with the provisions of Order No. R-2446, Case No. 2776, dated March 11, 1963, there is filed herewith an executed counterpart of the Siegreest Unit Agreement, and a copy of Certificate of Approval signed by the Commissioner of Public Lands, June 17, 1963.

All parties of interest have executed the Unit Agreement, and all lands within the unit are fully committed.

Very truly yours,

TOM BROWN DRILLING CO., INC.

By Foster Morrell
Foster Morrell,
Its Representative

fm:mas
enclosures

cc: Mr. Thomas C. Brown
President
Tom Brown Drilling Co., Inc.
P. O. Box 5131
Midland, Texas

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

March 11, 1963

Mr. Jason Kallahin
Kallahin & Fox
Attorneys at Law
Post Office Box 1713
Santa Fe, New Mexico

Re: Case No. 2766 and 2767
Order No. R-2446 and R-2447
Applicant:
Tom Brown Drilling Company, Inc.

Dear Sir:

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

Astec OCC

OTHER Mr. Foster Norrell

P. O. BOX 1933

PHONES: 622-5230
OR 622-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
~~JACKSON HOTEL BUILDING~~
ROSWELL, NEW MEXICO

March 6, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Re: Siegrist Draw Unit
Eddy County, New Mexico

Dear Sir:

By letter dated February 12, 1963, Tom Brown Drilling Co., Inc., of Midland, Texas, filed application with you for designation of certain lands, totaling 7,577.66 acres, more or less in Township 19 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Siegrist Draw Unit.

Following conferences with you and your representatives Tom Brown Drilling Co., Inc., hereby amends said application as to lands to be included in Siegrist Draw Unit Area only the lands described as follows:

T. 19 S., R. 23 E., N.M.P.M.

Secs. 21, 22: All
Sec. 27: $W\frac{1}{2}$, $SE\frac{1}{4}$, $W\frac{1}{2}$
Secs. 28, 33, 34: All

containing 3,760.00 acres, more or less.

The proposed Siegrist Draw Unit area embraces a total of 3,760.00 acres, all of which are State of New Mexico Lands.

The geological report and maps submitted with the application of February 12, remain applicable to this amended application and area. Land status map, Exhibit "A", and lease tabulation, Exhibit "B", each revised and dated March 4, 1963, to refer to the above described lands are attached hereto.

BEFORE EXAMINER NUTTER
FILED FOR REVISION
EXHIBIT A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z
CASE NO. _____

Commissioner of Public Lands - 2 -

March 6, 1963

We propose to use the suggested form of unit agreement embracing State and fee land with the following additions or changes:

- (1) Under Section 8, Drilling to Discovery, insert "Pennsylvanian" as the formation to be tested, and "8,600" feet as the maximum drilling depth required.
- (2) Under Section 17, Effective Date and Term, change the unit term by deleting the words "in two years after such date" and inserting in lieu thereof "on February 16, 1964."

It is respectfully requested that you approve the above described unit area and form of unit agreement for the Siegreest Draw unit as proposed herein.

Very truly yours,

Tom Brown Drilling Co., Inc.

By Poster Morrell
Poster Morrell, Its Representative

Approved as to area and form of agreement
this 6th day of March, 1963.

Edna C. Brown
Commissioner of Public Lands

Enclosures

cc: Mr. Thomas C. Brown, President
Tom Brown Drilling Co., Inc.
P. O. Box 5131
Midland, Texas

P. O. BOX 1933

PHONES: 622-5230
OR 622-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
~~McCOMBS HOTEL BUILDING~~
ROSWELL, NEW MEXICO

February 12, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Re: Proposed Siegreist Draw Unit
Eddy County, New Mexico

Dear Sir:

Tom Brown Drilling Company, Inc., of Midland, Texas, respectfully requests and hereby makes application, in triplicate, for designation of certain lands in Township 19 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Siegrest Draw Unit.

The lands requested for unitization are described as follows:

T. 19 S., R. 23 E., N. M. P. M.

Secs. 19 to 22 inclusive: All
Sec. 27: $\frac{1}{2}$, $SE\frac{1}{4}$, $\frac{1}{2}NE\frac{1}{4}$
Secs. 28 to 34 inclusive: All

containing 7,577.66 acres, more or less.

In support of this application we submit the following:

- (1) Geological report dated February 8, 1963, by James R. Day, Consulting Geologist for Tom Brown Drilling Company, Inc.
- (2) Reflection seismograph map dated February 6, 1963, contoured on "Devonian" reflection.
- (3) Land status map, Exhibit "A", showing State and fee owned lands, and the State oil and gas leases identified by serial numbers as presently known by your applicant.
- (4) Lease tabulation, Exhibit "B", showing leases in chronological order by serial numbers, lease description, dates and ownership.

The proposed Siegreist Draw unit area embraces a total of 7,577.66 acres, of which 7,417.66 acres or 97.88% are State of New Mexico lands and 160.00 acres or 2.11% are fee lands.

Commissioner of Public Lands

-2-

February 12, 1963

We propose the use of your suggested form of unit agreement embracing State and fee lands and the drilling requirement for the initial well to test the Pennsylvanian formation or to a depth not in excess of 8,600 feet. Other pertinent provisions of the suggest form include under Section 2, all formations are unitized; under Section 8, commencement of the initial test well within sixty (60) days from the effective date of the unit agreement; and under Section 17, the agreement shall terminate two (2) years after such effective date unless the term is extended by the Commissioner or a valuable discovery of unitized substances has been made on unitized lands.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

Tom Brown Drilling Company, Inc.

COPY (Original Signed) Foster Morrell

By _____
Foster Morrell, Its Representative

Enclosures

cc; Mr. Thomas C. Brown, President
Tom Brown Drilling Company, Inc.
P. O. Box 5131
Midland, Texas

GEOLOGIC REPORT

Proposed Siegrist Draw Unit
Eddy County, New Mexico

Page 2-6-6

Location

The proposed unit is in the southwestern part of T-19-S, R-23-E, Eddy County, New Mexico, and approximately 13 miles south of the town of Hope, New Mexico. The topography and existing access roads to the area indicate no major difficulty in building locations for wells or roads.

Geophysics and Geology

The Siegrist Draw Unit is based upon a seismic anomaly with approximately 200 feet of closure at the "Devonian" reflection horizon with more than 300 feet of critical west dip. The unit outline generally follows the -5000' contour except on the northeast and southwest sides; the unit extends beyond this contour in this direction because these flank areas are expected to have good development of Lower Pennsylvanian Sands.

Subsurface geologic control is sparse, but favorable when used in conjunction with the seismic data. Structurally, the closure on the anomaly trends northwest-southeast parallel to the Huapache Flexure, a major structural feature west of the unit. This similarity to a known structural feature strengthens the probability of the unit being well located on a true closure. Equally important are the shows of hydrocarbons and recent production found in the vicinity of the unit. The Lower Pennsylvanian has been potentiated for a GAOF 20,000 MCFGPD in the Sunray DX #1 State "WHP", Section 30, T-19-S, R-23-E. This production is believed to be stratigraphically controlled. A Lower Pennsylvanian Sand

11 100 L O

was also potentialed for 15,208 MCFBPD on $1\frac{1}{2}$ inch choke in the second well of the Indian Basin Unit, T-21-S, R-23-E, confirming the discovery in the Ralph Lowe #1 Indian Basin. This second well, the Ralph Lowe #1-A Indian Basin, was ducled with the Upper Pennsylvanian (Cisco-Canyon), a carbonate section, that was completed flowing 12,848 MCFBPD on $1\frac{1}{2}$ inch choke. These producers, plus the good show of oil and gas from the Upper Pennsylvanian in the Magnolia #1 Tres Ranchos, Section 10, T-19-S, R-23-E, make this unit a drillable prospect.

Upon approval of this unit, Tom Brown Drilling Co., Inc. proposes to drill a wildcat well to test the Pennsylvanian formation, or to a depth not in excess of 8600 feet. The test should encounter the following: Permian-San Andres 100', Glorieta 1500', Abo 3450', Wolfcamp 4600', Pennsylvanian-Cisco 5900', Strawn 6600', Bend 7400', Mississippian 8300'. The most probable producing zones are the Cisco (Upper Pennsylvanian) 5900-6400' and the Bend Sands (Lower Pennsylvanian) 7500-8100'.

Respectfully submitted,

TOM BROWN DRILLING COMPANY, INC.
Midland, Texas

February 8, 1963

By James R. Day
James R. Day
Consulting Geologist

Attachment: "Devonian" Reflection Seismograph Map

No. 8-63

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 7, 1963

9 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, as alternate examiner:

CASE 2763: (Continued)

Application of Sunray DX Oil Company for the creation of a Strawn Gas Pool and for Special Temporary Pool Rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn Gas Pool for its New Mexico State "AH" Well No. 1, located in Unit K of Section 30, Township 18 South, Range 23 East, Eddy County, New Mexico, and the establishment of temporary pool rules therefor, including a provision for 640-acre proration units.

CASE 2766:

Application of Tom Brown Drilling Company, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Siegreist Draw Unit Area, comprising 7,578 acres, more or less, of State and fee lands in Township 19 South, Range 23 East, Eddy County, New Mexico.

CASE 2767:

Application of Tom Brown Drilling Company, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Antelope Sink Unit Area, comprising 7,561 acres, more or less, of State and fee lands in Township 19 South, Ranges 23 and 24 East, Eddy County, New Mexico.

CASE 2768:

Application of Ernest A. Hanson and Harold Kersey for special nomenclature, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order extending the vertical limits of that portion of the Red Lake (Grayburg-San Andres) Pool underlying the NW/4 of Section 14, Township 17 South, Range 28 East, Eddy County, New Mexico, to include therein the Queen formation.

CASE 2769:

Application of Cities Service Oil Company for three water injection wells, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert the Pure State No. 1 and the Gulf State Well No. 1 located in Units D and P, respectively, of Section 16, Township 14 South, Range 31 East, Chaves County, New Mexico, to water injection, offsetting Phillips Petroleum Company's West Cap Waterflood Project. Applicant further seeks authority to drill an additional water injection well at the southwest corner of Unit K of said Section 16.

DRAFT

JMD/esr
March 8, 1963

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2766

Order No. R-~~2766~~
R-2446

APPLICATION OF TOM BROWN DRILLING COMPANY, INC.,
FOR APPROVAL OF THE SIEGREST DRAW UNIT AGREEMENT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 7, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of March, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Tom Brown Drilling Company, Inc., seeks approval of the Siegrest Draw Unit Agreement covering ³⁷⁶⁰~~7,578~~ acres, more or less, of State and fee lands in Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Siegrest Draw Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Siegrest Draw Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Siegreast Draw Unit Area, and such plan shall be known as the Siegreast Draw Unit Agreement Plan.

(3) That the Siegreast Draw Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Siegreast Draw Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 23 EAST

Section 21: All
Section 22: All
Section 27: W/2, W/2 NE/4, and SE/4
Section 28: All
Section 33: All
Section 34: All

3760.0
containing ~~7,578~~ acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Siegreast Draw Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or

contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SIEGREST DRAW UNIT AREA
EDDY COUNTY, NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area
Exhibit "B" - Schedule of Ownership in Lands

CONFORMED COPY

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SIEGREST DRAW UNIT AREA
EDDY COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of March, 1963, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (Hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Antelope Sink Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

T. 19 S., R. 23 E., N.M.P.M.

Secs. 21, 22: All

Sec. 27: $W\frac{1}{2}$, $SE\frac{1}{4}$, $W\frac{1}{2}NE\frac{1}{4}$

Secs. 28, 33, 34: All

containing 3,760.00 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline and associated fluid hydrocarbons in and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR: Tom Brown Drilling Co., Inc., with offices at Midland, Texas, is hereby designated as Unit Operator and by signature hereto

commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator, or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests

qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the Unit Operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The Unit Operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 8,600 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the Unit Operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each

twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, Unit Operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the Unit Operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the Unit Operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the Unit Operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement

and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such

leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest

term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the Unit Operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, Unit Operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after the Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate on February 16, 1964, unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commissioner and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby

before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of

funds due the State of New Mexico shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

TOM BROWN DRILLING CO., INC.

By Thomas C. Brown
President

Address: 820 Midland Savings Building
P. O. Box 5131
Midland, Texas

Date: May 20, 1963
ATTEST:
William D. Linder
Secretary

OTHER WORKING INTEREST OWNERS



Date: May 22, 1963

MARATHON OIL COMPANY

By J. H. Burrell
Division Manager
Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

Date: May 27, 1963

ATTEST: [Signature]
Assistant Secretary

CARPER DRILLING COMPANY, INC.

By Marshall Rawls
Executive Vice President
Address: 200 Carper Building
Artesia, New Mexico

Date: May 23, 1963

ATTEST: [Signature]
Assistant Secretary

SOUTHERN MINERALS CORPORATION

By J. T. Jamison
Vice President
Address: P. O. Box 716
Somico Building
Corpus Christi, Texas

Date: _____

ATTEST: _____
Assistant Secretary

KEWANEE OIL COMPANY

By _____
Vice President
Address: P. O. Box 2239
1401 South Boulder
Tulsa 1, Oklahoma

Date: June 13, 1963
Terms SSA
Form JSP

TEXACO INC.

By J. M. Markley
Attorney-in-fact
Address: P. O. Box 3109
7th Floor, Midland Savings Bldg.
Midland, Texas

Date: _____

Address: 5th Floor, Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

Jake L. Hamon

Hancy B. Hamon

Date: May 29, 1963

Address: 413 First National
Bank Building
Midland, Texas

R. Ken Williams
R. Ken Williams
R. Ken Williams, per agent
Jane Williams

OTHER WORKING INTEREST OWNERS

MARATHON OIL COMPANY

Date: _____

By _____

Division Manager
Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

CARPER DRILLING COMPANY, INC.

Date: _____

By _____

ATTEST: _____

Executive Vice President
Address: 200 Carper Building
Artesia, New Mexico

Assistant Secretary

SOUTHERN MINERALS CORPORATION

Date: _____

By _____

ATTEST: _____

Vice President
Address: P. O. Box 716
Somico Building
Corpus Christi, Texas

Assistant Secretary

KEWANEE OIL COMPANY

By J. M. Harrison

Vice President
Address: P. O. Box 2239
1401 South Boulder
Tulsa 1, Oklahoma

TEXACO INC.

By _____

Attorney-in-Fact
Address: P. O. Box 3109
7th Floor, Midland Savings Bldg.
Midland, Texas

Date: _____

Date: _____

Address: 5th Floor, Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

Jake L. Hamon

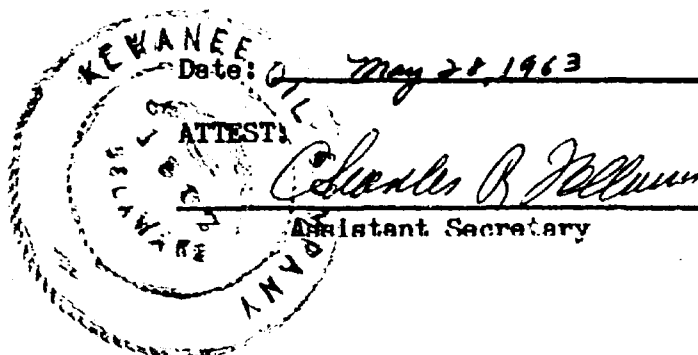
Nancy B. Hamon

Date: _____

Address: 413 First National
Bank Building
Midland, Texas

R. Ken Williams

Mary Jane Williams



OTHER WORKING INTEREST OWNERS

MARATHON OIL COMPANY

Date: _____

By _____

Division Manager
Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

CARPER DRILLING COMPANY, INC.

Date: _____

By _____

ATTEST:

Executive Vice President
Address: 200 Carper Building
Artesia, New Mexico

Assistant Secretary

SOUTHERN MINERALS CORPORATION

Date: _____

By _____

ATTEST:

Vice President
Address: P. O. Box 716
Somico Building
Corpus Christi, Texas

Assistant Secretary

KEWANEE OIL COMPANY

Date: _____

By _____

ATTEST:

Vice President
Address: P. O. Box 2239
1401 South Boulder
Tulsa 1, Oklahoma

Assistant Secretary

TEXACO INC.

Date: _____

By _____

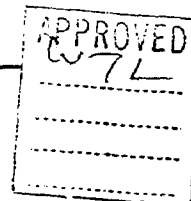
Attorney-in-Fact
Address: P. O. Box 3109
7th Floor, Midland Savings Bldg.
Midland, Texas

Date: 5/23/63

Address: 5th Floor, Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

Jake L. Hamon
Jake L. Hamon

Nancy B. Hamon
Nancy B. Hamon



Date: _____

Address: 413 First National
Bank Building
Midland, Texas

R. Ken Williams

Mary Jane Williams

OTHER WORKING INTEREST OWNERS

MARATHON OIL COMPANY

Date: _____

By _____
Division Manager
Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

CARPER DRILLING COMPANY, INC.

Date: _____

By _____
Executive Vice President
Address: 200 Carper Building
Artesia, New Mexico

ATTEST:

Assistant Secretary

SOUTHERN MINERALS CORPORATION

Date: _____

By _____
Vice President
Address: P. O. Box 716
Somico Building
Corpus Christi, Texas

ATTEST:

Assistant Secretary

KEWANEE OIL COMPANY

Date: _____

By _____
Vice President
Address: P. O. Box 2239
1401 South Boulder
Tulsa 1, Oklahoma

ATTEST:

Assistant Secretary

TEXACO INC.

Date: _____

By _____
Attorney-in-Fact
Address: P. O. Box 3109
7th Floor, Midland Savings Bldg.
Midland, Texas

Date: _____

Address: 5th Floor, Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

* _____
Jake L. Hamon
* _____
Nancy B. Hamon

APPROVED
J. L. Hamon

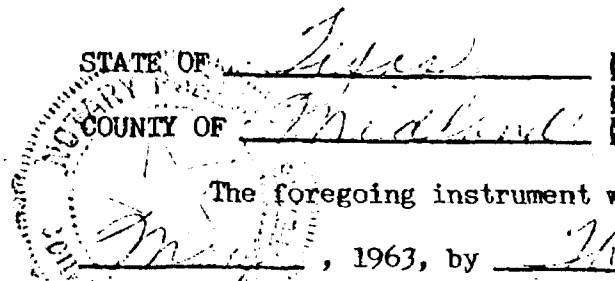
Date: _____

Address: 413 First National
Bank Building
Midland, Texas

R. Ken Williams

Mary Jane Williams

* This has been executed by Jake L. Hamon and Nancy B. Hamon subject to the deletion Accounting Procedure to Operating Agreement, Page 3, referring to the charges being made for shut-in gas wells.

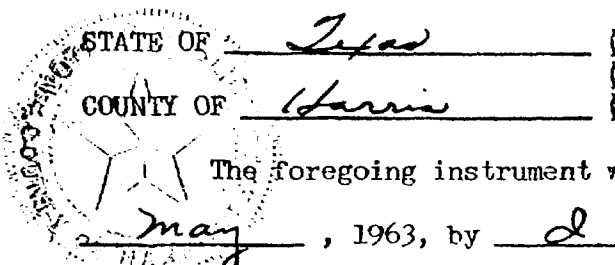


STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 20th day of May, 1963, by Thomas C. Brown, President of TOM BROWN DRILLING CO., INC., a Texas corporation, on behalf of said corporation.

Kipine J. Neill
Notary Public in and for
Midland County, Texas

My Commission Expires June 1, 1963



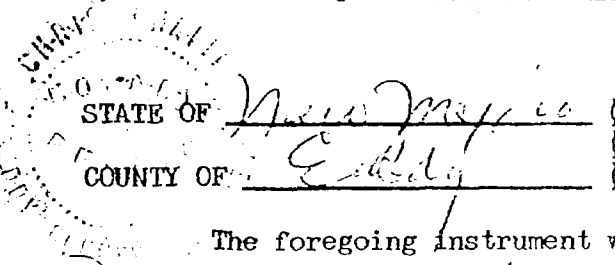
STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 22 day of May, 1963, by L E Burrell, Division Manager of MARATHON OIL COMPANY, an Ohio corporation, on behalf of said corporation.

Irma Green
Notary Public in and for
Harris County, Texas

My Commission Expires _____

IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1963



STATE OF New Mexico
COUNTY OF El Paso

The foregoing instrument was acknowledged before me this 27th day of May, 1963, by Marshall R. Carter, Executive Vice President of CARPER DRILLING COMPANY, INC., a New Mexico corporation, on behalf of said corporation.

Christine Chapman
Notary Public in and for
El Paso County, New Mexico

My Commission Expires 10-1-63

STATE OF Texas
COUNTY OF Neucom

The foregoing instrument was acknowledged before me this 23rd day of May, 1963, by J. T. [unclear], Vice President of SOUTHERN MINERALS CORPORATION, a Texas Corporation, on behalf of said corporation.

Christine Chapman
Notary Public in and for
Neucom County, Texas

My Commission Expires 1-1-64

Christine Chapman

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Vice President of KEWANEE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this 13th day of June, 1963, by _____, Attorney-in-Fact of TEXACO INC., a Delaware corporation, on behalf of said corporation.

Betty R. Davis BETTY R. DAVIS
Notary Public in and for

My Commission Expires 6-1-65 Midland County, Texas

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by JAKE L. HAMON and NANCY B. HAMON, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

THE STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 29th day of May, 1963, by R. KEN WILLIAMS, Individually and as agent in behalf of his wife, JANE WILLIAMS.

Frances Smith Frances Smith
Notary Public in and for Midland
County, Texas

My Commission Expires
June 1, 1963.

STATE OF Oklahoma
COUNTY OF LeFlore

The foregoing instrument was acknowledged before me this 28th day of May, 1963, by J. M. HARBISON, Vice President of KEWANEE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Mary Nell Overstreet MARY NELL OVERSTREET
Notary Public in and for

My Commission Expires 7-31-65 LeFlore County, Oklahoma

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of TEXACO INC., a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by JAKE L. HAMON and NANCY B. HAMON, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by R. KEN WILLIAMS and MARY JANE WILLIAMS, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Vice President of KEWANEE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of TEXACO INC., a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF Texas
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 23rd day of May, 1963, by JAKE L. HAMON and NANCY B. HAMON, his wife.

Lucille B. Wilson
Notary Public in and for

My Commission Expires June 1, 1963 Dallas County, Texas
LUCILLE B. WILSON, Notary Public
In and for Dallas County, Texas

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by R. KEN WILLIAMS and MARY JANE WILLIAMS, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

CONSENT AND RATIFICATION
SIEGREEST DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Siegreest Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of March 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Siegreest Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS

SIGNATURE

509 So 15th, Artesia, N.M. Robert E. Boling
Mary L. Boling

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 27 day of May, 1963, by Robert E. Boling and Mary L. Boling, his wife

Chris Chasin
Notary Public in and for

My Commission Expires 10-15-63 Eddy County, New Mexico

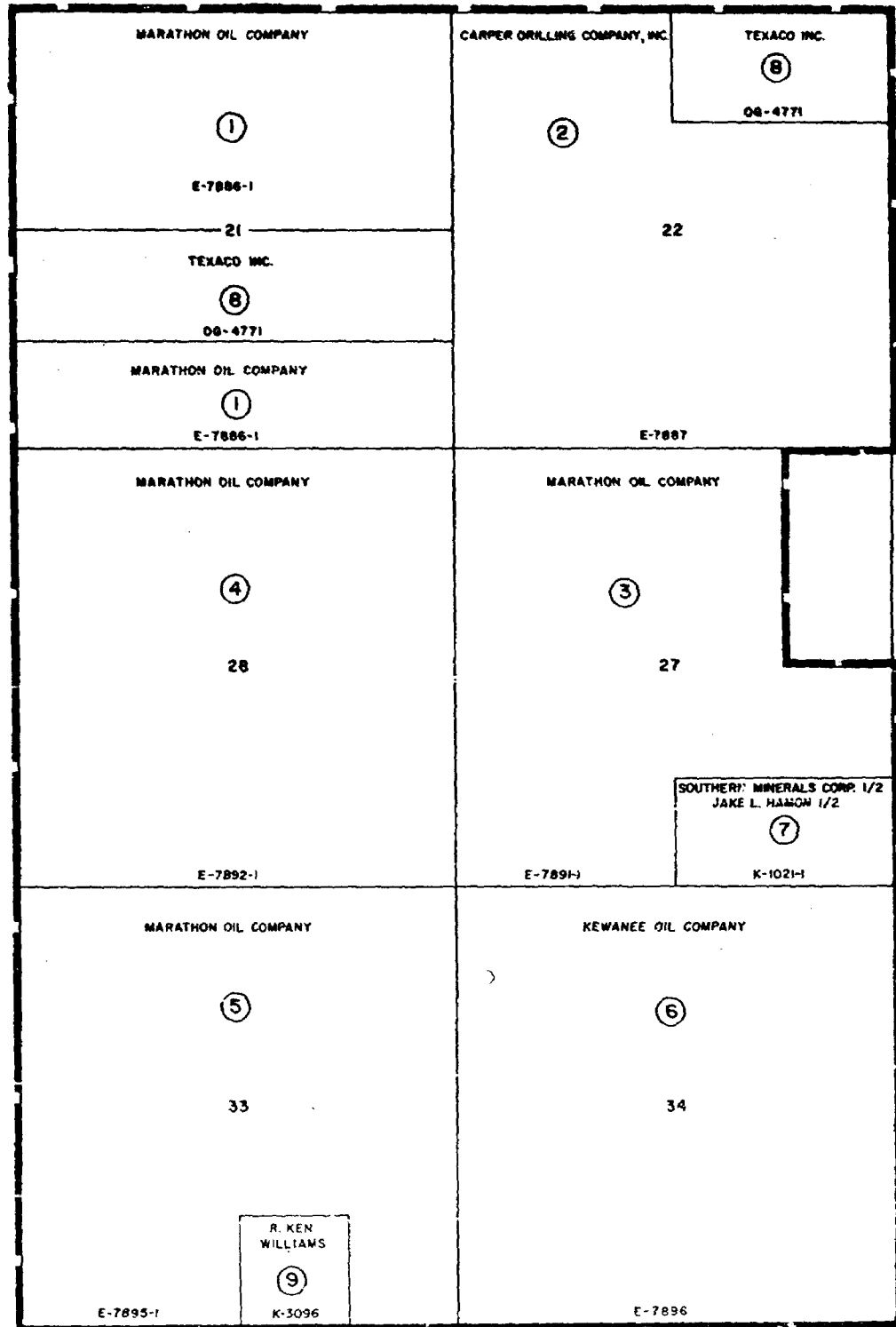
STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for

My Commission Expires _____ County, _____

R. 23 E.



LEGEND

- STATE LAND 3,760.00 ACRES 100.00 %
— — — — — BOUNDARY UNIT AREA
○ TRACT NO. FROM EXHIBIT "B"

EXHIBIT "A"
SIEGREST DRAW UNIT AREA
EDDY COUNTY, NEW MEXICO

MARCH 4, 1963

EXHIBIT "B" - SIEGESTRA DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>STATE LANDS</u>							
<u>T. 19 S., R. 23 E.</u>							
1	Sec. 21: N $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$	480.00	E-7886-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
2	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	560.00	E-7887 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Carper Drilling Company, Inc.	Robert E. Boling 1.00%	Carper Drilling Company, Inc. All
3	Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	E-7891-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
4	Sec. 28: All	640.00	E-7892-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
5	Sec. 33: N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	600.00	E-7895-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
6	Sec. 34: All	640.00	E-7896 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Kewanee Oil Company	None	Kewanee Oil Company All
7	Sec. 27: S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	K-1021-1 12-20-60 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Southern Minerals Corporation Jake L. Hamon 1/2 1/2	None	Southern Minerals Corporation Jake L. Hamon 1/2 1/2

March 4, 1963

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
-----------	-------------	--------------	---------------------------	----------------------------------	--------------------------------------	---	---

STATE LANDS (Continued)

T. 19 S., R. 23 E.

8	Sec. 21: N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$	240.00	OG-4771 11-18-58 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Texaco Inc.	None	Texaco Inc.
9	Sec. 33: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	K-3096 2-19-63 10 years	State of New Mexico 12 $\frac{1}{2}$ %	R. Ken Williams	None	R. Ken Williams

TOTAL STATE LANDS - AND - TOTAL UNIT AREA - 3,760.00 Acres

FOOTNOTE: Upon completion of the initial test well, Tom Brown Drilling Co., Inc., acquired one-half (1/2) interest under all tracts presently held by Marathon Oil Company and Garper Drilling Company, Inc., in accordance with Letter Agreements with those companies.

March 4, 1963

CERTIFICATE OF APPROVAL

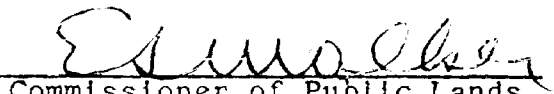
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
SIEGEST DRAW UNIT
LEWIS COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated March 1, 1963, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 17th day of April 19 63.


Commissioner of Public Lands
of the State of New Mexico

(Suggested basic form for use in
forming unit agreements embracing
State lands or State and fee lands)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE _____
UNIT AREA

COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the ____ day of _____, 19____, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (Hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Sagebrush Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

3. UNIT OPERATOR. _____, with offices at _____,

_____ is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 2200 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement,

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not effect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area

shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotes made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings.

on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

WORKING INTEREST OWNERS

(Acknowledgments)

EXHIBIT "B" - SIEGEST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>STATE LANDS</u>							
<u>T. 19 S., R. 23 E.</u>							
1	Sec. 21: N $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$	480.00	E-7886-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
2	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	560.00	E-7887 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Carper Drilling Company, Inc.	Robert E. Boling 1.00%	Carper Drilling Company, Inc. All
3	Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	E-7891-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
4	Sec. 28: All	640.00	E-7892-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
5	Sec. 33: N $\frac{1}{2}$, S $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	600.00	E-7895-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
6	Sec. 34: All	640.00	E-7896 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Kewanee Oil Company	None	Kewanee Oil Company All
7	Sec. 37: All	80.00	K-1021-1 12-20-60 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Southern Minerals Corporation Jake L. Hannon	1/2 1/2	Southern Minerals Corporation Jake L. Hannon 2/3

March 4, 1963

EXHIBIT "B" - SIEGREST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 2

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
STATE LANDS (Continued)							
T. 19 S., R. 23 E.							
8	Sec. 21: N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$	240.00	OG 47771 11-18-58 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Texaco, Incorporated	None	Texaco, Incorporated All
9	Sec. 33: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00		State of New Mexico 12 $\frac{1}{2}$ %	R. Ken Williams	None	R. Ken Williams All

TOTAL STATE LANDS - AND - TOTAL UNIT AREA - 3,760.00 Acres

No. 8-63

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 7, 1963

9 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, as alternate examiner:

CASE 2763: (Continued)

Application of Sunray DX Oil Company for the creation of a Strawn Gas Pool and for Special Temporary Pool Rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn Gas Pool for its New Mexico State "AH" Well No. 1, located in Unit K of Section 30, Township 18 South, Range 23 East, Eddy County, New Mexico, and the establishment of temporary pool rules therefor, including a provision for 640-acre proration units.

CASE 2766:

Application of Tom Brown Drilling Company, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Siegreist Draw Unit Area, comprising 7,578 acres, more or less, of State and fee lands in Township 19 South, Range 23 East, Eddy County, New Mexico.

CASE 2767:

Application of Tom Brown Drilling Company, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Antelope Sink Unit Area, comprising 7,561 acres, more or less, of State and fee lands in Township 19 South, Ranges 23 and 24 East, Eddy County, New Mexico.

CASE 2768:

Application of Ernest A. Hanson and Harold Kersey for special nomenclature, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order extending the vertical limits of that portion of the Red Lake (Grayburg-San Andres) Pool underlying the NW/4 of Section 14, Township 17 South, Range 28 East, Eddy County, New Mexico, to include therein the Queen formation.

CASE 2769:

Application of Cities Service Oil Company for three water injection wells, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert the Pure State No. 1 and the Gulf State Well No. 1 located in Units D and P, respectively, of Section 16, Township 14 South, Range 31 East, Chaves County, New Mexico, to water injection, offsetting Phillips Petroleum Company's West Cap Waterflood Project. Applicant further seeks authority to drill an additional water injection well at the southwest corner of Unit K of said Section 16.

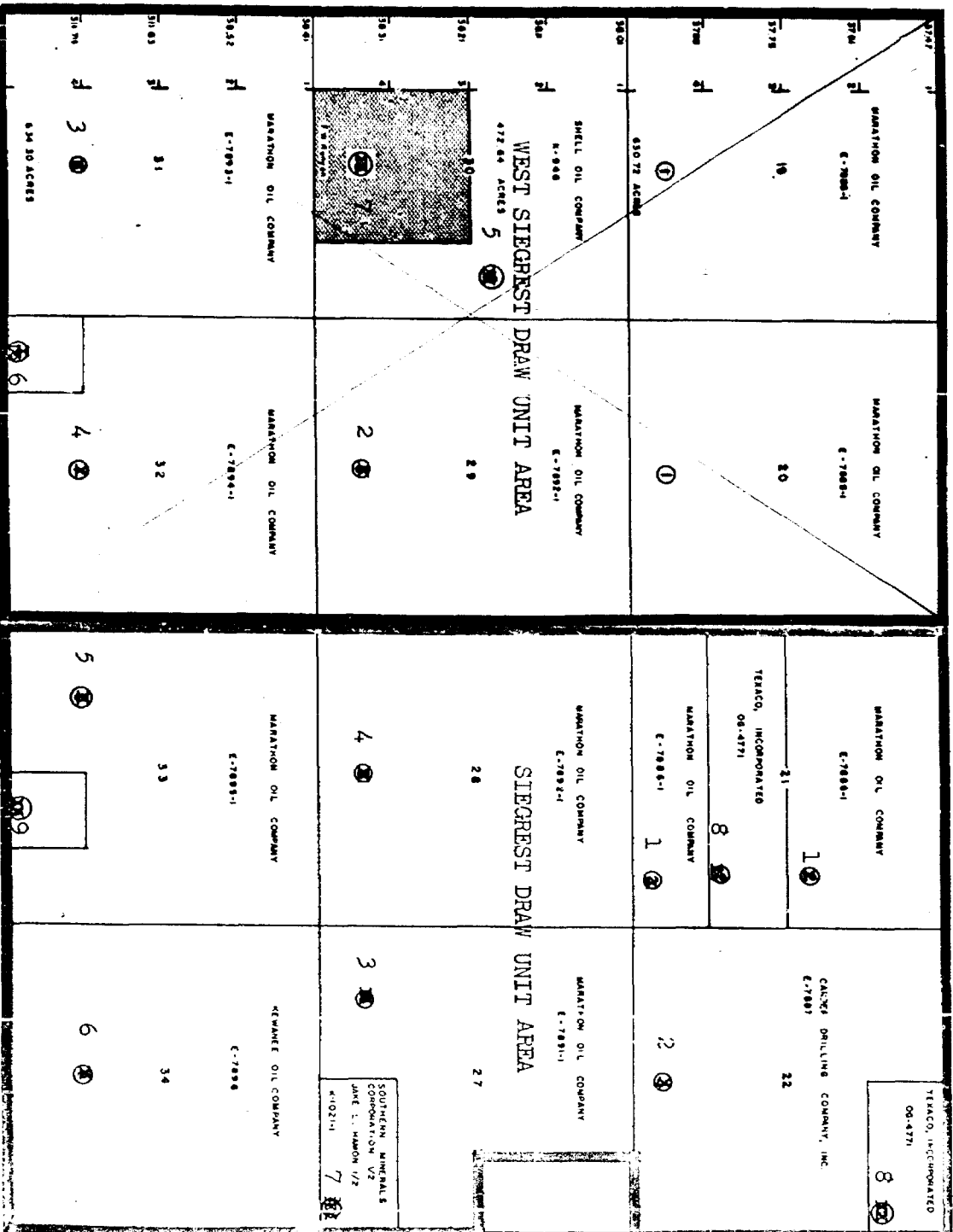
-2-

Docket No. 8-63

CASE 2770:

Application of El Paso Natural Gas Company for permission to conduct certain special well tests, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks authority to conduct maximum pressure build-up tests on 27 wells in the Blanco-Mesaverde, Basin-Dakota, Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, and South Blanco-Pictured Cliffs Gas Pools, San Juan and Rio Arriba Counties, New Mexico. Applicant further seeks exception to the annual well-testing requirements of Order R-333-F for said wells during the testing period, as well as exception to the under-age and overage balancing requirements of Order R-1670. Further, applicant seeks authority to transfer said wells' allowables to other wells on the same basic lease for production. Applicant also seeks an administrative procedure for the designation of such substitute wells for testing as may be deemed necessary.

iqg/



R. 23 E.

LEGEND

<input type="checkbox"/>	STATE LAND	TX156A0065XX30581
<input type="checkbox"/>	FEE LAND	XX6600A065XX30581
<input type="checkbox"/>	TOTAL	XXXXXXA065XX30581

BOUNDARY UNIT AREA
TRACT NO. FROM EXHIBIT "B"

SIEGREST DRAW UNIT AREA		
T.	Acres	
19	State Land	3,760.00 100.00%
S.		
WEST SIEGREST DRAW UNIT AREA		
	Acres	
	State Land	3,637.66 95.809%
	Fee Land	160.00 4.191%
	Total	3,817.66 100.000%

EXHIBIT "A"

SIEGREST DRAW UNIT AREA
WEST SIEGREST DRAW UNIT AREA

EDDY COUNTY, NEW MEXICO

March 4, 1963

BEFORE EXAMINER NOTED
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

EXHIBIT "B" - SIEGREST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
STATE LANDS							
T. 19 S., R. 23 E.							
1	Sec. 21: N $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$	480.00	E-7886-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
2	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	560.00	E-7887 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Carper Drilling Company, Inc.	Robert E. Boling 1.00%	Carper Drilling Company, Inc. All
3	Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	E-7891-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
4	Sec. 28: All	640.00	E-7892-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
5	Sec. 33: N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	600.00	E-7895-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
6	Sec. 34: All	640.00	E-7896 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Kewanee Oil Company	None	Kewanee Oil Company All
7	Sec. 27: All	80.00	K-1021-1 12-20-60 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Southern Minerals Corporation 1/2 Jake L. Hannon	None	Southern Minerals Corporation 1/2 Jake L. Hannon

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 2766

March 4, 1963

EXHIBIT "B" - SIEGREST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 2

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
STATE LANDS (Continued)							
T. 19 S., R. 23 E.							
8	Sec. 21: N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$	240.00	OG 4771 11-18-58 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Texaco, Incorporated	None	Texaco, Incorporated All
9	Sec. 33: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00		State of New Mexico 12 $\frac{1}{2}$ %	R. Ken Williams	None	R. Ken Williams All

TOTAL STATE LANDS - AND - TOTAL UNIT AREA - 3,760.00 Acres

P. O. BOX 1933

PHONES: 622-5290
OR 622-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO

February 15, 1963

*Per 2766
Received Friday
Feb. 15, 1963*

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

Re: Proposed Antelope Sink Unit
Eddy County, New Mexico

Proposed Siegreest Draw Unit
Eddy County, New Mexico

Gentlemen:

Enclosed are copies of applications dated February 12, 1963, to the Commissioner of Public Lands submitted by Tom Brown Drilling Company, Inc., of Midland, Texas, for designation of the Antelope Sink Unit, embracing certain lands in T. 19 S., Rs. 23 & 24 E., N.M.P.M., Eddy County New Mexico, and for designation of the Siegreest Draw Unit, embracing certain lands in T. 19 S., R. 23 E., N.M.P.M., Eddy County, New Mexico.

It is respectfully requested that you set these two cases for examiner hearing at your earliest convenience.

Very truly yours,

Tom Brown Drilling Company, Inc.

By *Foster Morrell*
Foster Morrell, Its Representative

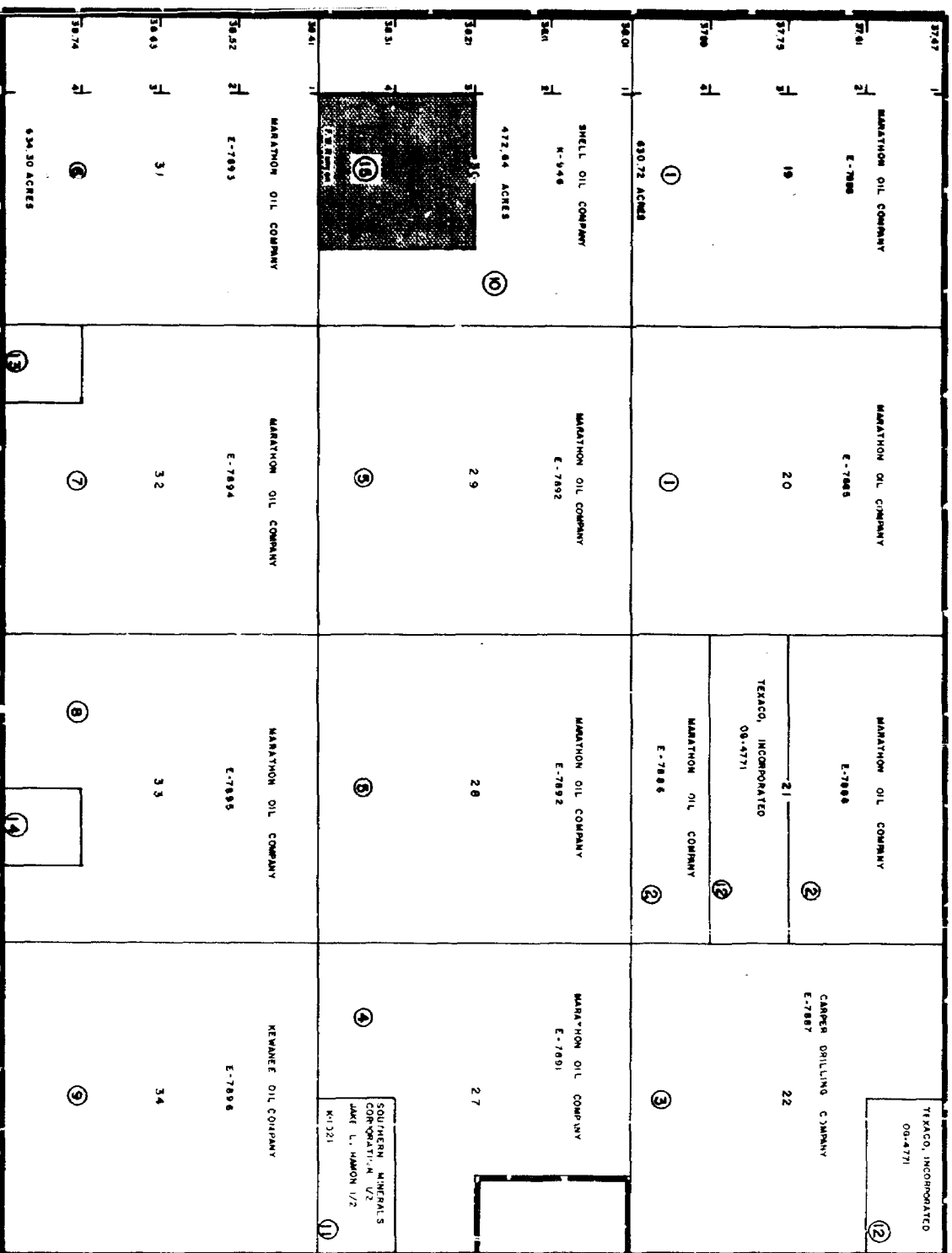
Enclosures

cc: Commissioner of Public Lands

Tom Brown Drilling Company, Inc.

DOCKET MAILED

Date 2/25/63
46



R. 23 E.

LEGEND		
	STATE LAND	7417.66 ACRES
	FEE LAND	160.00 ACRES
	TOTAL	7577.66 ACRES
		2.11%

BOUNDARY UNIT AREA
TRACT NO. FROM EXHIBIT "B"

T.
19
S.

EXHIBIT "A"

SIDGIST DEAN UNIT AREA

EDDY COUNTY, NEW MEXICO

JANUARY 17, 1963

EXHIBIT "B" - SIEGEST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>STATE LANDS</u>							
<u>T. 19 S., R. 23 E.</u>							
1	Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All) Sec. 20: All	1,270.72	E-7885 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
2	Sec. 21: N $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$	480.00	E-7886 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
3	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	560.00	E-7887 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Carper Drilling Company	Robert E. Boling	1.00% Carper Drilling Company All
4	Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	E-7891 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
5	Sec. 28: All Sec. 29: All	1,280.00	E-7892 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
6	Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All)	634.30	E-7893 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
7	Sec. 32: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	600.00	E-7894 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All

January 17, 1963

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEE LANDS</u>							
<u>T. 19 S., R. 23 E.</u>							
15	Sec. 30: E $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$	160.00		F. W. Runyan		Unleased	

TOTAL FEE LANDS - 160.00 Acres

R E C A P I T U L A T I O N

<u>LAND</u>	<u>ACREAGE</u>	<u>PERCENTAGE</u>
State	7,417.66	97.89%
Fee	<u>160.00</u>	<u>2.11%</u>
Totals	7,577.66	100.00%

EXHIBIT "B" - SIEGREST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>STATE LANDS</u>							
<u>I. 19 S., R. 23 E.</u>							
1	Sec. 21: N $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$	480.00	E-7886-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
2	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	560.00	E-7887 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Carper Drilling Company, Inc.	Robert E. Boling 1.00%	Carper Drilling Company, Inc. All
3	Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	E-7891-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
4	Sec. 28: All	640.00	E-7892-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
5	Sec. 33: N $\frac{1}{2}$, S $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	600.00	E-7895-1 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company All
6	Sec. 34: All	640.00	E-7896 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Kewanee Oil Company	None	Kewanee Oil Company All
7	Sec. 37: All	80.00	K-1021-1 12-20-60 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Southern Minerals Corporation Jake L. Hamon 1/2	1/2	Southern Minerals Corporation Jake L. Hamon 1/2

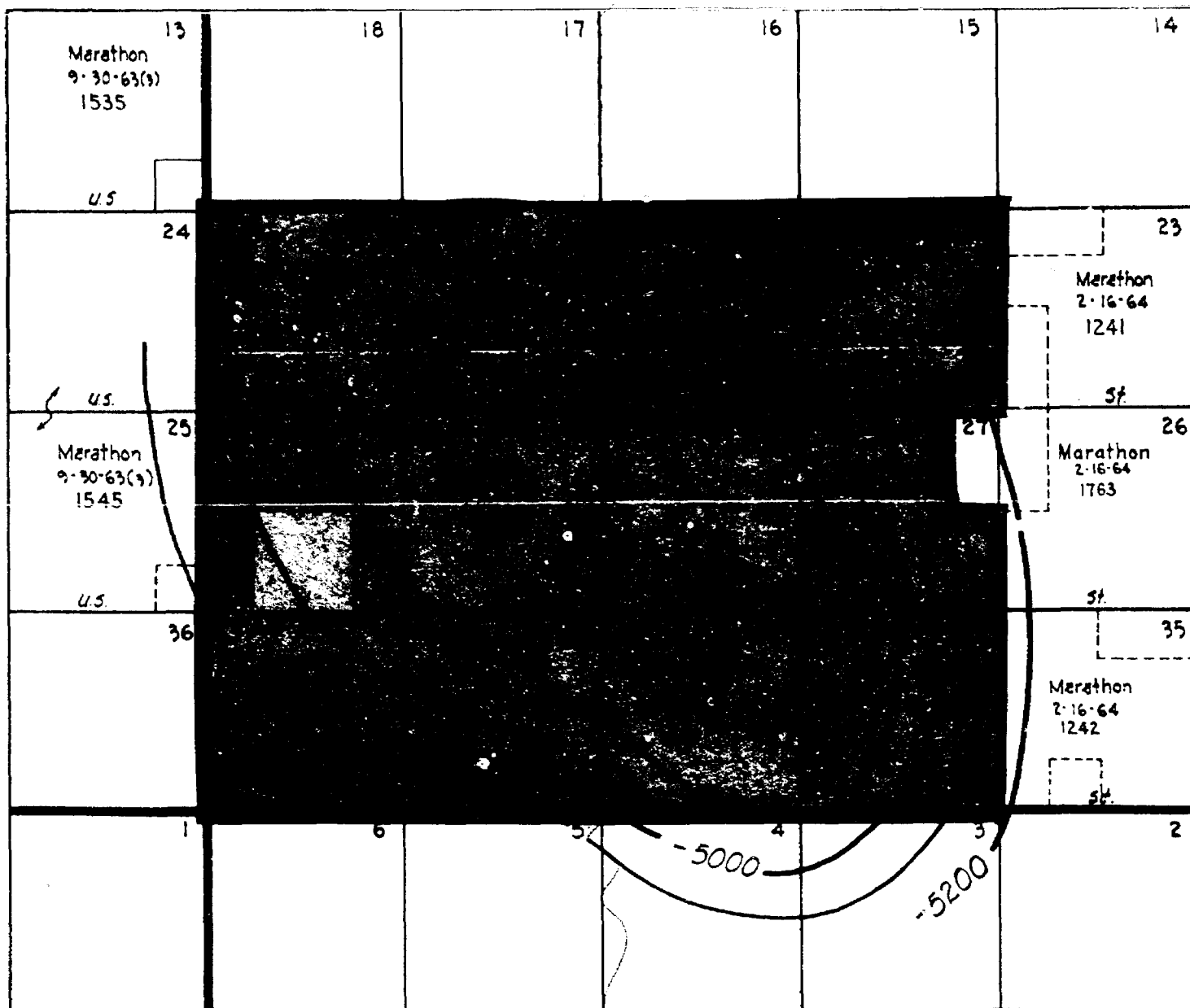
March 4, 1963

EXHIBIT "B" - SIEGREST DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 2

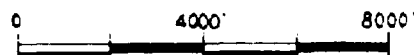
Tract No.	Description	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
STATE LANDS (Continued)						
T. 19 S., R. 23 E.						
8	Sec. 21: N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$	240.00 OG 4771 11-13-58 10 years	State of New Mexico 12 $\frac{1}{2}$ %	Texaco, Incorporated	None	Texaco, Incorporated All
9	Sec. 33: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	State of New Mexico 12 $\frac{1}{2}$ %	R. Ken Williams	None	R. Ken Williams All

TOTAL STATE LANDS - AND - TOTAL UNIT AREA - 3,760.00 Acres



LEGEND

- Stratigraphic
- Fault
- Unit boundary



Scale

Reflection Seismograph Map

PROPOSED SIEGREEST DRAW UNIT
EDDY COUNTY, NEW MEXICO

Contoured on "Devonian" Reflection
C.I. - 100'

SUBMITTED BY: TOM BROWN DRILLING CO., INC.

Date 2-8-63

Midland, Texas

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2766
Order No. R-2446

APPLICATION OF TOM BROWN DRILLING
COMPANY, INC., FOR APPROVAL OF THE
SIEGREEST DRAW UNIT AGREEMENT, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 7, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 11th day of March, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Tom Brown Drilling Company, Inc., seeks approval of the Siegreest Draw Unit Agreement covering 3760 acres, more or less, of State lands in Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Siegreest Draw Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Siegreest Draw Unit Agreement is hereby approved.

CASE No. 2766
Order No. R-2446

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Siegreast Draw Unit Area, and such plan shall be known as the Siegreast Draw Unit Agreement Plan.

(3) That the Siegreast Draw Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Siegreast Draw Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 23 EAST

Section 21: All
Section 22: All
Section 27: W/2, W/2 NE/4, and SE/4
Section 28: All
Section 33: All
Section 34: All

containing 3760.0 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Siegreast Draw Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico, and shall terminate ipso facto upon the

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CASE No. 2766
Order No. R-2446

termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Jack M. Campbell

JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

A. L. PORTER, Jr., Member & Secretary

SSX/