

CASE 3317: Application of JAKE L.  
HAMON for approval of the OWL  
DRAW UNIT AGREEMENT, EDDY COUNTY.

1/2

CASE NO.  
3317

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.

CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
S. B. CHRISTY IV  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
MICHAEL R. WALLER  
STUART D. SHANOR

LAW OFFICES  
HINKLE, BONDURANT & CHRISTY  
600 HINKLE BUILDING  
ROSWELL, NEW MEXICO 88201

March 13, 1967

3317  
MIDLAND, TEXAS OFFICE  
521 MIDLAND TOWER  
(915) MU 3-4691  
OF COUNSEL: HIRAM M. DOW

TELEPHONE (505) 622-6510  
POST OFFICE BOX 10

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico

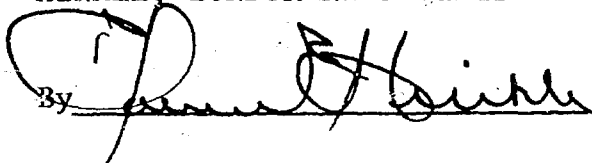
Re: Owl Draw Unit Agreement

Gentlemen:

We enclose herewith Termination of Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, with Certificate of Approval of the Director of the United States Geological Survey attached. The termination of the unit was effective as of March 1, 1967. These instruments are filed for the completion of your file.

Yours very truly,

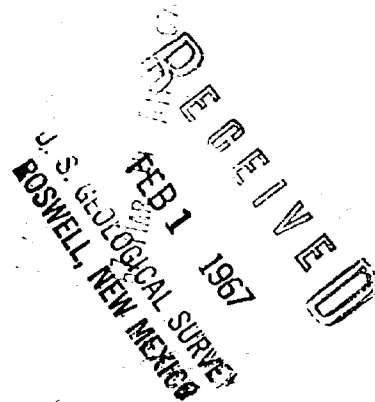
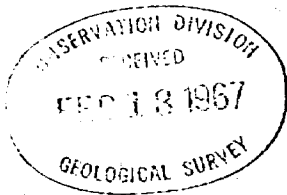
HINKLE, BONDURANT & CHRISTY

By 

CEH:cs

Enc.

cc: R. G. Keeney



CERTIFICATE OF APPROVAL  
OF  
TERMINATION OF OWL DRAW UNIT AGREEMENT  
BY DIRECTOR, UNITED STATES GEOLOGICAL SURVEY

The undersigned Director of the United States Geological Survey does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, New Mexico, No. 14-08-0001-8724, effective as of March 1, 1967.

DATED this 8<sup>th</sup> day of March 1967.

ACTING *Arthur A. Baker*  
DIRECTOR, UNITED STATES GEOLOGICAL  
SURVEY



TERMINATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND  
OPERATION OF THE OWL DRAW UNIT AREA, EDDY COUNTY  
NEW MEXICO, NO. 14-08-0001-8724

RECEIVED  
FEB 1 1967  
U.S. GEOLOGICAL SURVEY  
ROOM 1000, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than 75% on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, New Mexico dated September 24, 1965 heretofore approved by the New Mexico Oil Conservation Commission and the Director of the United States Geological Survey effective as of November 8, 1965, do hereby agree to the termination of said unit agreement in accordance with the provisions of Section 20 thereof, subject to the approval of the Director of the United States Geological Survey.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

Date: 1-30-67

Jake L. Hamon  
Jake L. Hamon

UNIT OPERATOR

Date: 1-30-67

Nancy B. Hamon  
Nancy B. Hamon

Date: 1-9-67

Cary M. Maguire  
Cary M. Maguire

Date: 1-9-67

Ann T. Maguire  
Ann T. Maguire

ATTEST:

Assistant Secretary  
Date: 1-24-67

GULF OIL CORPORATION

By Attorney-in-Fact

Form Approved  
Law Dept.

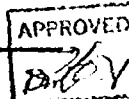
ATTEST:

[Signature]  
Assistant Secretary

Date: 1-17-67

PAN AMERICAN PETROLEUM CORPORATION

by [Signature]  
Attorney-in-Fact



STATE OF TEXAS     )  
                              : ss  
COUNTY OF DALLAS    )

The foregoing instrument was acknowledged before me this 30th day of January, 1967 by Jake L. Hamon and Nancy B. Hamon, his wife.

My Commission Expires:

June 1, 1967

[Signature]  
Notary Public

SHERI ADAMS, Notary Public  
In and for Dallas County, Texas

STATE OF TEXAS     )  
                              : ss  
COUNTY OF DALLAS    )

The foregoing instrument was acknowledged before me this 9th day of January, 1967 by Cary M. Maguire and Ann T. Maguire, his wife.

My Commission Expires:

6-1-67

[Signature]  
Notary Public

AUDREY SEDLOCK  
NOTARY PUBLIC IN AND FOR DALLAS COUNTY, TEXAS  
MY COMMISSION EXPIRES JUNE 1, 1967

STATE OF NEW MEXICO    )  
                              : ss  
COUNTY OF CHAVES     )

The foregoing instrument was acknowledged before me this 24th day of January, 1967 by F. O. MORTLOCK, Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

Commission Expires August 15, 1970

[Signature]  
Notary Public

STATE OF TEXAS     )  
                              : ss  
COUNTY OF TARRANT    )

The foregoing instrument was acknowledged before me this 17th day of January, 1967 by D. B. Mason, Jr., Attorney-in-Fact for Pan American Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1967

[Signature]  
Notary Public

VELMA B. CRAFT

*N. Mex. O. C. C.*

*Roswell*

*3317*

MAR 10 1967

Hinkle, DeMarent & Christy  
Hinkle Building  
Roswell, New Mexico 88201

Gentlemen:

On March 8, 1967, effective as of March 1, 1967, Arthur A. Baker, Acting Director of the Geological Survey, approved the termination of the oil lease unit agreement, Eddy County, New Mexico, No. 14-03-0001-3724, filed by you in behalf of Jake L. Henson, unit operator, pursuant to the last paragraph of section 20 thereof.

Enclosed are two copies of the approved application for your records. We request that you furnish notice of this approval to each interested working interest owner, lessee, and lessor at their last known address.

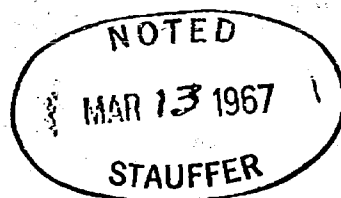
Sincerely yours,

RUSSELL G. WAYLAND

For the Director

Enclosures-2

cc: Roswell 2 (w/2 copies of approved application)



RECEIVED  
MAR 13 1967

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

*Copy to N.M.O.C.C.*  
*Copy to N.M. State L.O.*  
*Copy to: Artesia*

DEC 1 - 1965

N. M. O. C. G.

JAKE L. HAMON  
OIL PRODUCER  
908 VAUGHN BUILDING  
MIDLAND, TEXAS

November 17, 1965

RECEIVED

RECEIVED  
NOV 19 1965  
U. S. GEOLOGICAL SURVEY  
ARTESIA, NEW MEXICO

U. S. Geological Survey  
Post Office Drawer U  
Artesia, New Mexico

NOV 29 1965

N. M. O. C.  
ARTESIA, OFFICE

ATTENTION: Mr. Jim Kenauf

RE: Jake L. Hamon No. 1 Owl Draw Unit,  
T-26-S, R-27-E,  
Eddy County, New Mexico

Gentlemen:

In accordance with your instructions in your letter of November 16, 1965, regarding the above captioned well, this is to advise that the well was spudded at 2:00 P. M. November 14, 1965. As of November 17 it was drilling at 550' and later in the day drill pipe stuck.

In order to comply with federal regulations we authorize you to eliminate Russell Maguire's name from the Application for Permit to Drill, Form No. 9-331C. It was not Mr. Hamon's intent to spud this well prematurely before approval of your office. We had assumed that your office had been notified by the U. S. G. S. in Washington as soon as the unit had been approved, but learned that you did not receive your notification until November 16. It was our error in not notifying you as soon as this information was received in this office that the unit had been approved in Washington. As you requested, our records indicate that you were furnished with Application for Permit to Drill, which was mailed from this office November 1, 1965. You indicated that U. S. G. S. policy directed that only one operator's name could be shown as operator on a federal unit, that being one of the reasons for non-approval of the application to drill. As mentioned above, we have advised you to eliminate Russell Maguire's name from the application.

In summary, we want to reiterate that it was not Mr. Hamon's intention to spud this well prematurely before approval by your office. We had made assumptions that the Application for Permit to Drill had been approved and that everything was in order. We will keep your office advised as to the progress of this well.

ACE:odm

Yours very truly,

cc: Mr. Russell Maguire  
Mr. Don G. Chapell  
Mr. W. T. LaGrone  
Mr. C. W. Phillips  
Mr. H. W. Shaw

JAKE L. HAMON  
*A. C. Elliott*  
A. C. Elliott  
District Geologist

CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
S. B. CHRISTY IV  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
MICHAEL R. WALLER

LAW OFFICES  
HINKLE, BONDURANT & CHRISTY  
HINKLE BUILDING  
ROSWELL, NEW MEXICO

OF COUNSEL: HIRAN M. DOW  
TELEPHONE 922-6510  
AREA CODE 505  
POST OFFICE BOX 10

November 15, 1965

3317

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico

Re: Owl Draw Unit Agreement,  
Eddy County, New Mexico

Gentlemen:

We enclose herewith a fully executed copy of the captioned unit agreement, which was approved by the New Mexico Oil Conservation Commission on October 13, 1965. You will note from the certificate attached that the unit agreement was approved by the Acting Director of the United States Geological Survey on November 8, 1965 and was effective as of that date. Due to the fact that no State lands were committed to the unit, the unit agreement was not approved by the Commissioner of Public Lands. This copy is filed with the Commission in accordance with paragraph (3) of the Commission's order.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By 

CEH:cs

Enc.

cc: Taylor LaGrone

cc: Lee D. Vendig

3317

UNIT AGREEMENT  
OWL DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

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

No. \_\_\_\_\_

THIS AGREEMENT entered into as of the 24th day of September, 1965, 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 and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3,



Chapter 65, Vol. 9, Page 2, 1953 Statutes), to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Owl Draw 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. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

Township 25 South, Range 27 East, N.M.P.M.

Section 29 - SW $\frac{1}{4}$   
Section 30 - S $\frac{1}{2}$   
Section 31 - All  
Section 32 - W $\frac{1}{2}$

Township 26 South, Range 26 East, N.M.P.M.

Section 1 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 12 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 13 - E $\frac{1}{2}$   
Section 24 - All  
Section 25 - E $\frac{1}{2}$ E $\frac{1}{2}$

Township 26 South, Range 27 East, N.M.P.M.

Section 5 - W $\frac{1}{2}$   
Section 6 - All  
Section 7 - All  
Section 8 - All  
Section 17 - All  
Section 18 - All  
Section 19 - All  
Section 20 - W $\frac{1}{2}$ , SE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 29 - All  
Section 30 - All

containing 8,916.44 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 land 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 in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less

than seven copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Commissioner and the Commission and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of

the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the Commissioner and the Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent therefor, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of

time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent of the current unitized working interests and 60 percent of the current unitized basic royalty interests (exclusive of the basic royalty interest of the United States) on a total non-participating acreage basis, respectively, with approval of the Director and Commissioner, provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the Unit Area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Jake L. Hamon with offices at Dallas, Texas is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in him 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 owner of an interest 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 him.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Commissioner and Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State and privately owned

lands unless a new unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of the unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The 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 Director and the Commissioner..

The resignation or removal of Unit Operator under this agreement shall not terminate its 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator. Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owner shall be required to select a new operator. Such selection shall not become effective until:

(a) the Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.



7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working 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 "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating 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 inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until formations of Pennsylvanian age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish, to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, that further drilling of said well would

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 12,900 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the 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 Supervisor, if on Federal lands, or the Commissioner, if on State lands, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the

approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location of wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in

complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the six month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the Commissioner submit for approval by the Director and the Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule shall also set forth the percentage

of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of

the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the amount thereof deposited, as directed by the Supervisor and the Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement

for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas



withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land and the Commission as to State or privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner

obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contracts, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in the case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved

by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT: Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the

payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on other than Federal or State land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. 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 or Federal law or regulations.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director and the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory

royalty, as determined by the Supervisor as to Federal lands and by the Commissioner as to State lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operations for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions

of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the

non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to



the interest 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 of any working interest, royalty, or other interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any

extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such state, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing,

the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New

Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commission or Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceedings.

24. 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 personally delivered to the party or sent by postpaid registered or certified 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.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

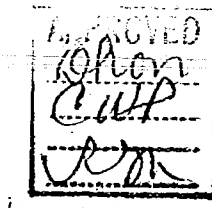
29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of

this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owners committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. 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.

31. NO PARTNERSHIP. It is expressly agreed that the relationship of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.



Jake L. Hamon  
JAKE L. HAMON  
Address: Vaughn Building, Dallas,  
Texas P.O. Box 663  
UNIT OPERATOR AND WORKING INTEREST  
OWNER

Nancy B. Hamon  
NANCY B. HAMON

WORKING INTEREST OWNERS

ATTEST:

AMAX PETROLEUM COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Date: \_\_\_\_\_

Address: \_\_\_\_\_

Date: October 18, 1963

Gary M. Maguire  
GARY M. MAGUIRE

Date: October 18, 1963

Ann T. Maguire  
ANN T. MAGUIRE

Address: 4200 First National Bank Bldg.  
Dallas, Texas 75202



ATTEST:

Secretary

Date:

EL PASO NATURAL GAS PRODUCTS COMPANY

By

President

Address:

Date:

ATTEST:

*[Signature]*  
Assistant Secretary

GULF OIL CORPORATION

By

Attorney-in-Fact

Address: P.O. Box 1938  
Roswell, New Mexico

HUMBLE OIL & REFINING COMPANY

By

Address:

ATTEST:

Assistant Secretary

Date:

PAN AMERICAN PETROLEUM CORPORATION

By

Attorney-in-Fact

Address: P.O. Box 1410



Date:

Date:

Date:

Date:

Date:

Dort North, Texas

RUSSELL MAGUIRE, dealing with his separate property and estate

RUSSELL MAGUIRE, Trustee for Cary McIlwaine Maguire

RUSSELL MAGUIRE, Trustee for Elizabeth Deane Maguire

ADDRESS: 4200 First National Bank Bldg.  
Dallas, Texas 75202

STATE OF Texas )  
COUNTY OF Dallas ) ss

The foregoing instrument was acknowledged before me this  
15th day of October 1965 by Jake L. Hamon and Nancy B.  
Hamon, his wife.

My Commission Expires:  
6-1-67

R. G. Keeney  
Notary Public

R. G. KEENEY, Notary Public  
in and for Dallas County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of Amax Petroleum Company, a \_\_\_\_\_  
corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of El Paso Natural Gas Products Company, a  
corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of Humble Oil & Refining Company,  
a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 : SS  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 28<sup>th</sup> day of October 1965 by W. B. HOPKINS Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:  
My Commission Expires August 15, 1966

E. Marie Cooper  
Notary Public

STATE OF Texas )  
 : SS  
COUNTY OF Tarrant )

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day of Oct. 1965 by J. L. HOYT, JR. ATTORNEY-IN-FACT of Pan American Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
June 1, 1967

Dorothy E. Middleton  
Notary Public  
DOROTHY E. MIDDLETON

STATE OF NEW YORK )  
 : SS  
COUNTY OF NEW YORK )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of October 1965 by RUSSELL MAGUIRE, dealing with his separate property and Estate.

My Commission Expires:  
March 30, 1966

H. Godfrey Wilson  
Notary Public

H. GODFREY WILSON  
Notary Public, State of New York  
No. 60-425300, Qual. in Westchester Co.  
Cert. Filed in New York County  
Commission Expires March 30, 1966

STATE OF NEW YORK )  
 : SS  
COUNTY OF NEW YORK )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of October 1965 by RUSSELL MAGUIRE, Trustee for Cary McIlwaine Maguire.

My Commission Expires:  
March 30, 1966

H. Godfrey Wilson  
Notary Public

H. GODFREY WILSON  
Notary Public, State of New York  
No. 60-425300, Qual. in Westchester Co.  
Cert. Filed in New York County  
Commission Expires March 30, 1966

STATE OF NEW YORK )  
 : SS  
COUNTY OF NEW YORK )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of October 1965 by RUSSELL MAGUIRE, Trustee for Elizabeth Deane Maguire.

My Commission Expires:  
March 30, 1966

H. Godfrey Wilson  
Notary Public

H. GODFREY WILSON  
Notary Public, State of New York  
No. 60-425300, Qual. in Westchester Co.  
Cert. Filed in New York County  
Commission Expires March 30, 1966

STATE OF TEXAS )  
COUNTY OF DALLAS ) : ss

The foregoing instrument was acknowledged before me  
this 18th day of October 1965 by **CARY M. MAGUIRE**  
and **ANN T. MAGUIRE**, his wife.

My Commission Expires:

June 1, 1967

Audrey Sedlock  
Notary Public

AUDREY SEDLOCK  
NOTARY PUBLIC IN AND FOR DALLAS COUNTY, TEXAS  
MY COMMISSION EXPIRES JUNE 1, 1967

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_ day of \_\_\_\_\_ 1965 by

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

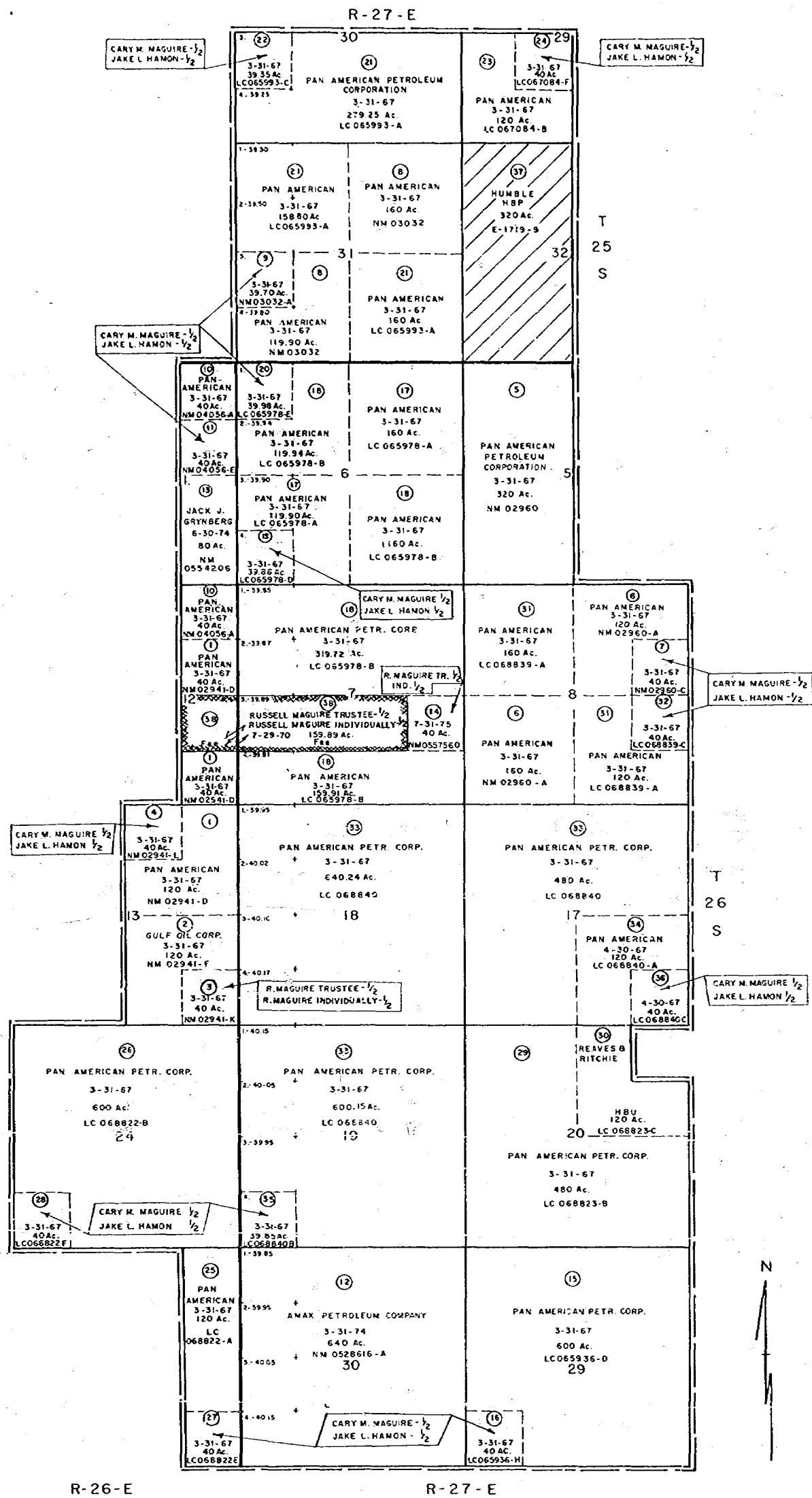
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_ day of \_\_\_\_\_ 1965 by

My Commission Expires:

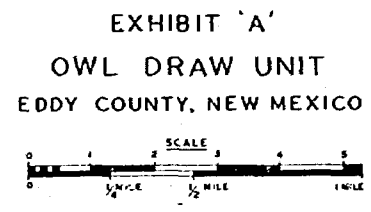
\_\_\_\_\_

\_\_\_\_\_  
Notary Public



**LEGEND**

- Federal Acreage --- 8,436.55 Ac.
- State Acreage --- 320.00 Ac.
- Fee Acreage --- 159.89 Ac.
- 8,916.44 Ac. - Total Unit
- Unit Boundary
- Tract Numbers



**EXHIBIT "B"**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND**  
**OF OWNERSHIP OF ALL LANDS IN THE**  
**OWL DRAW UNIT, EDDY COUNTY, NEW MEXICO**

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
<b>FEDERAL LANDS:</b>							
<u>All in T. 26 S., R. 26 E:</u>							
1.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12; E $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 13	200	NM 02941-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II	*Pan American Petroleum Corporation - All
2.	N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13	120	NM 02941-F 3/31/67	U.S. 12 $\frac{1}{2}$ %	Gulf Oil Corporation	1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II	Gulf Oil Corporation - All
3.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13	40	NM 02941-K 3/31/67	U.S. 12 $\frac{1}{2}$ %	50% - Russell Maguire 25% - Russell Maguire, Trustee for Cary McIlwaine Maguire 25% - Russell Maguire, Trustee for Elizabeth Deane Maguire	1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II 2% - A. C. Holder	**Russell Maguire - 50% Russell Maguire Trustee - 50%
4.	NW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 13	40	NM 02941-L 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II	***Cary M. Maguire - All
<u>All in T. 26 S., R. 27 E:</u>							
5.	W $\frac{1}{2}$ Sec. 5	320	NM 02960 3/31/67	U. S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
6.	SW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8	280	NM 02960-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All

## Exhibit "B" - Owl Draw Unit - Page 2

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
7.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8	40	NM 02960-C 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
All in T. 25 S., R. 27 E:							
8.	NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , Lot 4 Sec. 31	279.90	NM 03032 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Helen O. H. Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
9.	Lot 3, Sec. 31	39.70	NM 03032-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Helen O. H. Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
All in T. 26 S., R. 26 E:							
10.	NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 1; NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 12	80	NM 04056-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	3/10 of 1% - I. E. Tapp, Ind. and as sole heir of Allie V. Tapp, deceased 7/10 of 1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II	*Pan American Petroleum Corporation - All
11.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 1	40	NM 04056-E 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	3/10 of 1% - I. E. Tapp, Ind. and as sole heir of Allie V. Tapp, deceased 7/10 of 1% - Olen F. Featherstone 2% - Harvey E. Roelofs, Trustee for Olen F. Featherstone II	***Cary M. Maguire - All
All in T. 26 S., R. 27 E:							
12.	Section 30 - All	640	NM 0528616-A 3/31/74	U.S. 12 $\frac{1}{2}$ %	Amex Petroleum Company	2 $\frac{1}{2}$ % - Martin Davis $\frac{1}{2}$ of 1% - Stephen C. Helbing	Amex Petroleum Company - All
All in T. 26 S., R. 26 E:							
13.	E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 1	80	NM 0554206 6/30/74	U.S. 12 $\frac{1}{2}$ %	Jack J. Grynberg	None	Jack J. Grynberg - All

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
All in T. 26 S., R. 27 E:							
14.	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 7	40	NM 0557560 7/31/75	U.S. 12 $\frac{1}{2}$ %	50% - Russell Maguire 25% - Russell Maguire, Trustee for Cary McIlwaine Maguire 25% - Russell Maguire, Trustee for Elizabeth Deane Maguire	5% - William A. Huffman	**Russell Maguire - 50% Russell Maguire, Trustee - 50%
15.	E $\frac{1}{4}$ , NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	600	LC 065936-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	3% - V. L. Gates 1/8 - Surface to 4,000' in SW $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 29- W. G. Weatherford and Kathleen Batchler	*Pan American Petro- leum Corporation - All
16.	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	40	LC 065936-H 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	3% - V. L. Gates	***Cary M. Maguire - All
17.	NE $\frac{1}{4}$ , Lot 3, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 6	279.90	LC 065978-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott	*Pan American Petro- leum Corporation - All
18.	SE $\frac{1}{4}$ , Lot 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 6, N $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 7	759.57	LC 065978-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott	*Pan American Petro- leum Corporation - All
19.	Lot 4, Sec. 6.	39.86	LC 065978-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott	*** Cary M. Maguire - All
20.	Lot 1, Sec. 6	39.98	LC 065978-E 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott	*** Cary M. Maguire - All
All in T. 25 S., R. 27 E:							
21.	SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , Lot 4, Sec. 30; SE $\frac{1}{4}$ , Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31	598.05	LC 065993-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Helen O. H. Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petro- leum Corporation - All



## Exhibit "B" - Owl Draw Unit - Page 4

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
22.	Lot 3, Sec. 30	39.35	LC 065993-C 3/31/67	U.S. 12½%	Cary M. Maguire	1% - Helen G. H. Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
23.	W½SW¼, SE¼SW¼ Sec. 29	120	LC 067084-B 3/31/67	U.S. 12½%	Pan American Petroleum Corporation	2½% - Edna Ione Hall 2½% - Frank O. Elliott	*Pan American Petroleum Corporation - All
24.	NE¼SW¼ Sec. 29	40	LC 067084-F 3/31/67	U.S. 12½%	Cary M. Maguire	2½% - Edna Ione Hall 2½% - Frank O. Elliott	***Cary M. Maguire - All
All in T. 26 S., R. 26 E:							
25.	E½NE¼, NE¼SE¼ Sec. 25	120	LC 068822-A 3/31/67	U.S. 12½%	Pan American Petroleum Corporation	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
26.	N¼, SE¼, N½SW¼, SE¼SW¼ Sec. 24	600	LC 068822-B 3/31/67	U.S. 12½%	Pan American Petroleum Corporation	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
27.	SE¼SE¼ Sec. 25	40	LC 068822-E 3/31/67	U.S. 12½%	Cary M. Maguire	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
28.	SW¼SW¼ Sec. 24	40	LC 068822-F 3/31/67	U.S. 12½%	Cary M. Maguire	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
All in T. 26 S., R. 27 E:							
29.	W½, SE¼ Sec. 20	480	LC 068823-B 3/31/67	U.S. 12½%	Pan American Petroleum Corporation	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
30.	W½NE¼, SE¼NE¼ Sec. 20	120	LC 068823-C HBU (Prod.)	U.S. 12½%	J. S. Reaves & J.M. C. Ritchie	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	J. S. Reaves and J. M. C. Ritchie - oil rights El Paso Natural Gas Products Company - gas rights

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
31.	NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 8	280	LC 068839-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
32.	NE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 8	40	LC 068839-C 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
33.	N $\frac{1}{2}$ , SW $\frac{1}{4}$ Sec. 17; All Sec. 18; Lots 1, 2, 3, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ Sec. 19	1720.39	LC 068840 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
34.	N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 17	120	LC 068840-A 4/30/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
35.	Lot 4, Sec. 19	39.85	LC 068840-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
36.	SE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 17	40	LC 068840-C 4/30/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	***Cary M. Maguire - All
TOTAL - 36 FEDERAL TRACTS COMPRISING 8,436.55 ACRES, OR 94.6179% OF UNIT AREA							

## STATE LANDS

All in T. 25 S., R. 27 E:

37.	W $\frac{1}{2}$ Sec. 32	320	E-1719-9 HBP	State of N.M. 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	Production payment of \$250.00 per acre out of 2 $\frac{1}{2}$ % owned as follows: .3125% - John M. Kelly and wife Esther Kelly .3125% - John E. Miles .9375% - Thomas C. Closson .9375% - Mary Closson Hess	Humble Oil & Refining Company
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TOTAL - 1 STATE TRACT COMPRISING 320 ACRES, OR 3.5889% OF UNIT AREA

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
<b>FEE LANDS:</b>							
All in T. 26 S., R. 26 E:							
38.	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12	159.89	7/29/70	6.25% Frances Forehand Ussery 6.25% Earl Ray Forehand	50% - Russell Maguire 25% - Russell Maguire, Trustee for Cary McIlwaine Maguire 25% - Russell Maguire, Trustee for Elizabeth Deane Maguire	None	*** Russell Maguire - 50% Russell Maguire, Trustee - 50%
All in T. 26 S., R. 27 E:							
	NW $\frac{1}{4}$ SE $\frac{1}{4}$ , Lot 3, NE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 7						

TOTAL - 1 FEE TRACT COMPRISING 159.89 ACRES, OR 1.7932% OF UNIT AREA

TOTAL - 38 TRACTS COMPRISING 8,916.44 ACRES IN ENTIRE UNIT AREA

\* Pan American Petroleum Corporation has agreed to contribute 1/2 of its leasehold interests to Jake L. Hamon and Russell Maguire in consideration of drilling the initial test well pursuant to the terms of the Unit Agreement in the event it is completed as a well capable of producing unitized substances in paying quantities; provided, however, Hamon and Maguire are to earn all of Pan American's interest in the 80 acre legal subdivision on which the initial test well is drilled in the event it is completed as an oil well and in and to the 640 acre section upon which said well is located in the event it is completed as a gas well, subject to a 1/8 of 8/8 overriding royalty payable to Pan American Petroleum Corporation (as to all tracts interest earned is to be 100 feet below the depth to which the test well is drilled, with option to deepen well or to drill new well to earn interest as to deeper formations).

\*\* Pan American has the right to acquire an undivided 1/2 interest and Jake L. Hamon an undivided 1/4 interest in and to Tracts 3, 14 and 38.

\*\*\* An undivided 1/2 interest in and to the record title of Cary Maguire in and to these tracts is in the process of being assigned to Jake L. Hamon subject to the existing overriding royalties.

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

\_\_\_\_\_  
\_\_\_\_\_  
Glen F. Featherstone  
Martha Featherstone

STATE OF NEW MEXICO ) Tracts 1, 2, 3, 4, 10, 11  
COUNTY OF GRAY ) : ss

The foregoing instrument was acknowledged before me this 4th day of October 1965 by Glen F. Featherstone and Martha Featherstone

My Commission Expires:  
12-6-66

Wm M. Norton  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

Harvey E. Roelofs  
Harvey E. Roelofs, Trustee  
for Olen F. Featherstone II

STATE OF Colorado )  
COUNTY OF Denver ) : ss

Tracts 1, 2, 3, 4, 10, 11

The foregoing instrument was acknowledged before me this 30th day of Sept. 1965 by Harvey E. Roelofs

My Commission Expires:  
April 12, 1969

Simon Olthoff  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

Adholder

Luby J. Valder  
Grant 3

**Tract 3**

STATE OF NEW MEXICO )  
 : ss  
COUNTY OF LEA )

The foregoing instrument was acknowledged before me this 7th day of October 1965 by A. C. Holder and Ruby F. Holder, his wife

My Commission Expires:  
August 29, 1966

Betty A. Kaiser  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day  
of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

9/30/65

Dorothy L. Hanks

9/30/65

Jerry G. Hanks

STATE OF Colorado )

Tracts 5, 6, 7, 31, 32, 33, 34, 35, 36

COUNTY OF Denver )

: ss

The foregoing instrument was acknowledged before me this 30th day of September 1965 by Dorothy L. Hanks and Jerry G. Hanks

My Commission Expires:

Aug 3 / 1966

Blanca A. Reynolds  
Notary Public

STATE OF \_\_\_\_\_ )

: ss

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

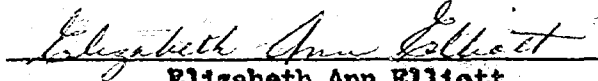
(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

  
Frank O. Elliott

  
Elizabeth Ann Elliott

STATE OF NEW MEXICO )

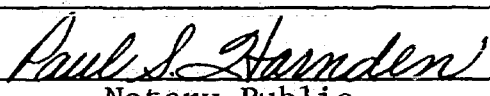
Tracts 5, 6, 7, 8, 9, 17, 18, 19, 20, 21, 22, 23,  
24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34,  
35, 36

COUNTY OF CHAVES )

: ss

The foregoing instrument was acknowledged before me this 29th day of September 1965 by Frank O. Elliott and his wife, Elizabeth Ann Elliott

My Commission Expires:  
June 1, 1966

  
Notary Public

STATE OF \_\_\_\_\_ )

: ss

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public



(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

\_\_\_\_\_  
\_\_\_\_\_  
Ora R. Hall, Jr.  
Edna Ione Hall

STATE OF NEW MEXICO )  
: ss  
COUNTY OF CHAVES )

Tracts 5, 6, 7, 8, 9, 17, 18, 19, 20, 21, 22, 23,  
24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34,  
35, 36

The foregoing instrument was acknowledged before me this 29th day  
of September 1965 by \_\_\_\_\_  
Ora R. Hall, Jr. and Edna Ione Hall, his wife

My Commission Expires:  
July 20, 1966

Bettie R. Hughes  
Notary Public

STATE OF \_\_\_\_\_ )  
: ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day  
of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

Helen O. H. Watson

911 Richard St.

P. C. Watson

Carlsbad, N. Mex

STATE OF New Mexico )  
COUNTY OF Eddy ) ss

Tracts 8, 9, 21, 22

The foregoing instrument was acknowledged before me this 30 day of September 1965 by Helen O. H. Watson - P. C. Watson

My Commission Expires:  
4-17-69

J. D. H. H. H.  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

I. E. Tapp

I. E. Tapp, Individually and as sole heir of  
Allie V. Tapp, deceased.

506 La Fonda Drive, Roswell, New Mexico

STATE OF New Mexico )  
COUNTY OF Chaves )

Tracts 10, 11

: ss

The foregoing instrument was acknowledged before me this 27th day  
of September 1965 by I. E. Tapp

My Commission Expires:  
5/14/66

Lofton B. Lodge  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

: ss

The foregoing instrument was acknowledged before me this \_\_\_\_ day  
of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

William A. Huffman  
Harriet A. Huffman

STATE OF TEXAS )  
COUNTY OF TAYLOR ) : ss

Tract 14

The foregoing instrument was acknowledged before me this 19 day of October, 1965 by William A. Huffman and his wife Harriet A. Huffman

My Commission Expires:

June 1967

Betty O. Hale  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

\_\_\_\_\_

V. L. Gates

\_\_\_\_\_

Nellie M. Gates

STATE OF New Mexico )  
COUNTY OF Eddy ) : ss

Tracts 15, 16

The foregoing instrument was acknowledged before me this 20th day of October 1965 by V. L. Gates and his wife Nellie M. Gates

My Commission Expires:  
7-5-67

Marion Chapman  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this    day of    1965 by   

My Commission Expires:

\_\_\_\_\_  
Notary Public

(Royalty Owner)

CONSENT AND RATIFICATION  
OWL DRAW UNIT AGREEMENT  
EMBRACING LANDS IN 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 Owl Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24 day of SEPTEMBER, 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests 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 interests to the Owl 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.

Margery J. Sweetser

Kenneth E. Sweetser

STATE OF California )  
COUNTY OF Alameda ) : ss

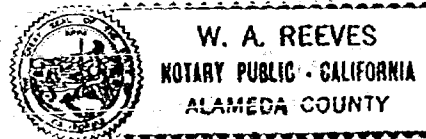
Tracts 25, 26, 27, 28, 29, 30

The foregoing instrument was acknowledged before me this 1st day of October 1965 by Margery J. Sweetser and Kenneth E. Sweetser, her husband

My Commission Expires:  
Oct 26 - 1966

W. A. Reeves  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss



The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_  
Notary Public

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. 3317  
Order No. R-2983

APPLICATION OF JAKE L. RAMON  
FOR APPROVAL OF THE OWL 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 October 6, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Uts.

NOW, on this 13th day of October, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Jake L. Ramon, seeks approval of the Owl Draw Unit Agreement covering 8916.44 acres, more or less, of State, Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPN  
Section 29: SW/4  
Section 30: S/2  
Section 31: All  
Section 32: W/2

-2-

CASE No. 3317

Order No. R-2983

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM

Section 1: E/2 E/2

Section 12: E/2 E/2

Section 13: E/2

Section 24: All

Section 25: E/2 E/2

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM

Section 5: W/2

Sections 6, 7, and 8: All

Sections 17, 18, and 19: All

Section 20: W/2, SE/4, W/2 NE/4, and  
SE/4 NE/4

Sections 29 and 30: All

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

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

(2) That the plan contained in said unit agreement for the development and operation of the unit area 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 Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that 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.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the



-3-

CASE No. 3317  
Order No. R-2983

State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate inso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) 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

GUYTON B. HAYS, Member

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

222

esr/

CERTIFICATION - DETERMINATION

No. 14-08-0001 8724

Pursuant to the authority vested in the Secretary of Interior as to Federal lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Owl Draw Unit Area, Eddy County, New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

NOV 8 1965

Dated

*Arthur A. Baker*  
\_\_\_\_\_  
ACTING DIRECTOR, UNITED STATES  
GEOLOGICAL SURVEY

RECEIVED

NOV 10 1965

U.S. GEOLOGICAL SURVEY  
WASHINGTON, D.C. 20500

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. 3317  
Order No. R-2983

APPLICATION OF JAKE L. HAMON  
FOR APPROVAL OF THE OWL 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 October 6, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of October, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Jake L. Hamon, seeks approval of the Owl Draw Unit Agreement covering 8916.44 acres, more or less, of State, Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM  
Section 29: SW/4  
Section 30: S/2  
Section 31: All  
Section 32: W/2

-2-

CASE No. 3317

Order No. R-2983

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM

Section 1: E/2 E/2

Section 12: E/2 E/2

Section 13: E/2

Section 24: All

Section 25: E/2 E/2

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM

Section 5: W/2

Sections 6, 7, and 8: All

Sections 17, 18, and 19: All

Section 20: W/2, SE/4, W/2 NE/4, and  
SE/4 NE/4

Sections 29 and 30: All

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

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

(2) That the plan contained in said unit agreement for the development and operation of the unit area 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 Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that 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.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the

-3-

CASE No. 3317

Order No. R-2983

State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) 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*

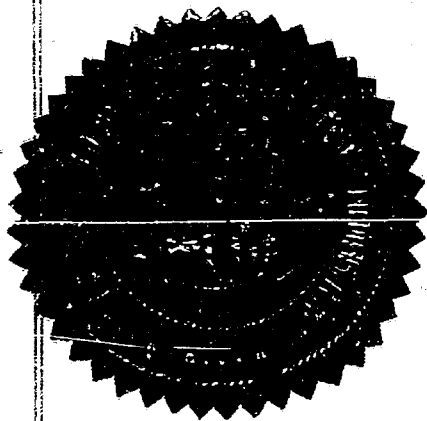
JACK M. CAMPBELL, Chairman

*Guston B. Hays*

GUSTON B. HAYS, Member

*A. L. Porter, Jr.*

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



esr/

3317

Heard 10-6-65

Rec. 10-6-65

1. Hunt. Jake L. Hamon the Owl Draw unit  
~~exp~~ agreement.

Thurs 10-6-65

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
THE OWL DRAW UNIT  
EDDY COUNTY, NEW MEXICO

Case 3317

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes Jake L. Hamon of Dallas, Texas, acting by and through the undersigned attorneys, Hinkle, Bondurant & Christy, of Roswell, New Mexico, and files herewith three copies of the Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, New Mexico, and hereby makes application for approval of said unit agreement as provided by law and the rules and regulations of the New Mexico Oil Conservation Commission, and in support thereof shows:

1. That the proposed unit area covered by said agreement embraces 8916.44 acres situated in Eddy County, New Mexico more particularly described as follows:

Township 25 South, Range 27 East, N.M.P.M.

Section 29 - SW $\frac{1}{4}$   
Section 30 - S $\frac{1}{2}$   
Section 31 - All  
Section 32 - W $\frac{1}{2}$

Township 26 South, Range 26 East, N.M.P.M.

Section 1 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 12 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 13 - E $\frac{1}{2}$   
Section 24 - All  
Section 25 - E $\frac{1}{2}$ E $\frac{1}{2}$

Township 26 South, Range 27 East, N.M.P.M.

Section 5 -  $W\frac{1}{2}$   
Section 6 - All  
Section 7 - All  
Section 8 - All  
Section 17 - All  
Section 18 - All  
Section 19 - All  
Section 20 -  $W\frac{1}{2}$ ,  $SE\frac{1}{4}$ ,  $W\frac{1}{2}NE\frac{1}{4}$ ,  $SE\frac{1}{4}NE\frac{1}{4}$   
Section 29 - All  
Section 30 - All

MAIN OFFICE

SEP 27 AM 8

2. That the lands embraced in the proposed unit area consist of 8,436.55 acres, or 94.61% of Federal lands; 320 acres, or 3.58% of State lands; and 159.89 acres, or 1.79% of fee lands.

3. That the proposed unit area has heretofore been designated by the Director of the United States Geological Survey as an area logically subject to unitization.

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all, or substantially all, of the geological structure or feature involved and that in the event of the discovery of oil or gas thereon said unit agreement will permit the producing area to be developed and operated in the interests of conservation and the prevention of waste of unitized substances.

5. It is contemplated that applicant, Jake L. Hamon, will be the operator of the unit area and it is proposed to drill a test well pursuant to the terms of the unit agreement to a depth sufficient to test the formations of Pennsylvanian age, but not to exceed a depth of 12,900 feet.

6. Applicant believes that in the event oil or gas in paying quantities is discovered in the lands within the unit area the pool or field can be developed more economically and efficiently under the terms of said unit agreement, to the end that the maximum recovery



of unitized substances will be obtained, and that said agreement is in the interests of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation statutes and regulations.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before the examiner on the matter of the approval of said unit and upon said hearing the same be approved by the New Mexico Oil Conservation Commission as being in the interests of conservation and the prevention of waste.

DATED this 24th day of September, 1965.

Respectfully submitted,

JAKE L. HAMON

By Clarence E. Hinkle  
Attorney C.

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle  
Attorneys for Applicant C.  
Box 10  
Roswell, New Mexico

State of New Mexico  
Oil Conservation Commission



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

October 13, 1965

Re: Case No. 3317  
Order No. R-2983  
Applicant:  
**JAKE L. HAMON**

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

*A. L. Porter, Jr.*  
A. L. PORTER, Jr.  
Secretary-Director

Carbon copy of order also sent to:

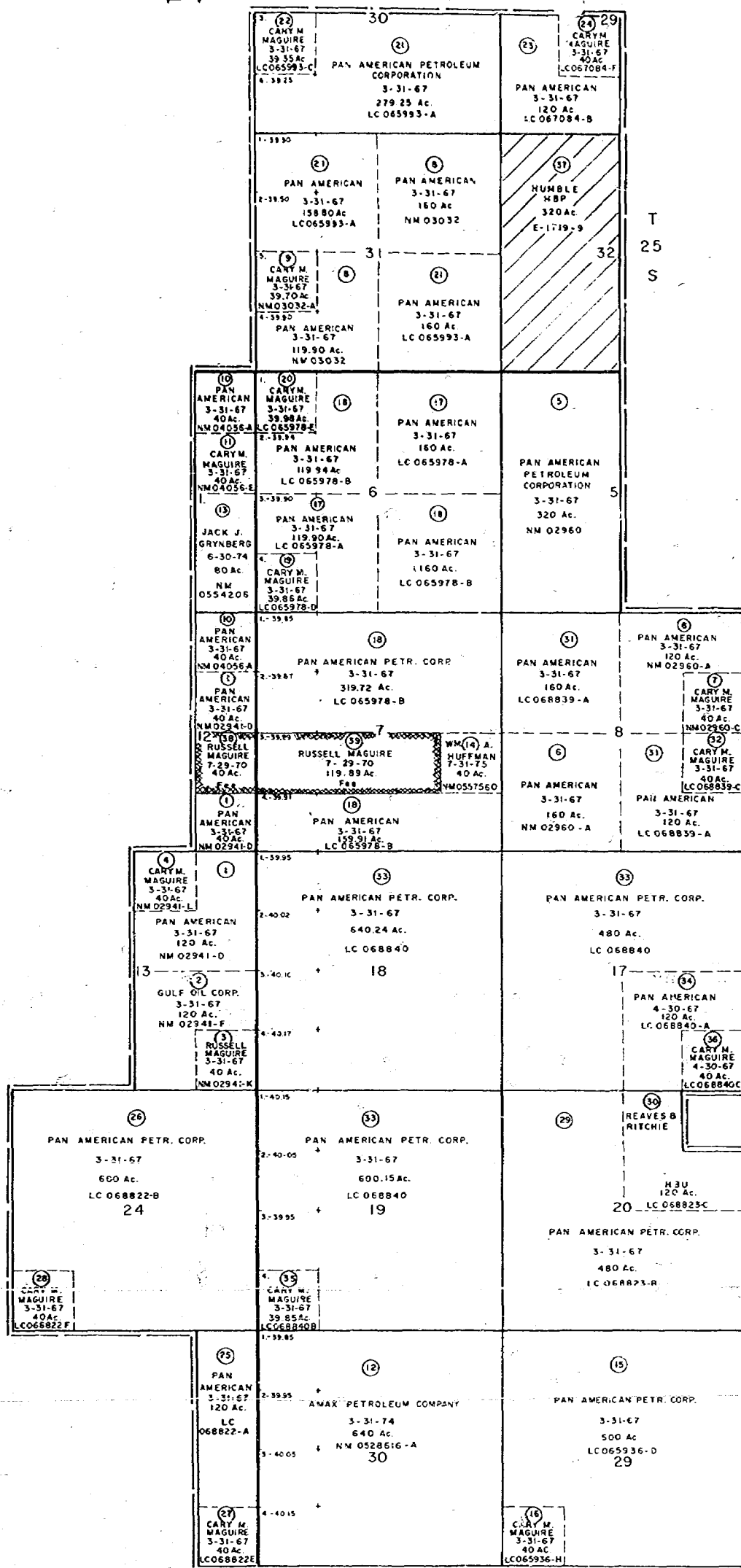
Hobbs OCC x

Artesia OCC x

Aztec OCC \_\_\_\_\_

OTHER \_\_\_\_\_

R-27-E



R-26-E

R-27-E

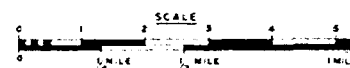
## -LEGEND-

- Federal Acreage
- State Acreage
- Fee Acreage
- Unit Boundary
- Tract Numbers

EXHIBIT 'A'

OWL DRAW UNIT

EDDY COUNTY, NEW MEXICO





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON 25, D. C.

IN REPLY REFER TO:

SEP 3 1965

RECEIVED  
SEP 10 1965

Hinkle, Bondurant & Christy  
P. O. Box 10  
Roswell, New Mexico

Attention: Mr. Clarence E. Hinkle

Gentlemen:

HINKLE, BONDURANT & CHRISTY  
ROSSELL, NEW MEXICO

Your application of August 24 filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Jake L. Hamon and Russell Maguire, requests the designation of the Owl Draw unit area embracing 8,916.44 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your plat marked "Exhibit A, Owl Draw Unit, Eddy County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test formations of Pennsylvanian age, or to a depth of 12,900 feet. The 1961 reprint of the standard form of unit agreement should be used, modified by the following changes as proposed by your application:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:

"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of Section 301(1) to (7) inclusive of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement."

3. Insertion of the appropriate language required for State of New Mexico lands.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in the preparation of Exhibits "A" and "B."

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,



Acting Director



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON 25, D. C.

IN REPLY REFER TO:

SEP 3 1965

RECEIVED  
SEP 10 1965

Hinkle, Bondurant & Christy  
P. O. Box 10  
Roswell, New Mexico

Attention: Mr. Clarence E. Hinkle

Gentlemen:

HINKLE, BONDURANT & CHRISTY  
ROSWELL, NEW MEXICO

Your application of August 24 filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Jake L. Hamon and Russell Maguire, requests the designation of the Owl Draw unit area embracing 8,916.44 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your plat marked "Exhibit A, Owl Draw Unit, Eddy County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test formations of Pennsylvanian age, or to a depth of 12,900 feet. The 1961 reprint of the standard form of unit agreement should be used, modified by the following changes as proposed by your application:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:

"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of Section 301(1) to (7) inclusive of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement."

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
Appd	EXHIBIT NO. 1
CASE NO.	3317

3. Insertion of the appropriate language required for State of New Mexico lands.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in the preparation of Exhibits "A" and "B."

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,



Acting Director

OCTOBER 6, 1965 EXAMINER HEARING

CASE 3316: In the matter of the hearing called by the Oil Conservation Commission on its own motion for the creation of a new oil pool for Yates and Seven Rivers production in Sections 12, 13, and 24, Township 26 South, Range 36 East, and Sections 7, 18, 19, 30, 31, 32, and 33, Township 26 South, Range 37 East, Lea County, New Mexico, said pool to be designated the Scarborough Yates-Seven Rivers Pool. Further, to consider the establishment of a procedure whereby a special allowable would be assigned to said pool which would permit equalized per-acre withdrawal rates from wells on 40-acre spacing in New Mexico to the per-acre withdrawal rates from 20-acre wells located immediately south in the Scarborough Pool, Winkler County, Texas.

CASE 3317: Application of Jake L. Hamon for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Owl Draw Unit Area comprising 8,916 acres, more or less, of Federal, State and Fee lands in Township 25 South, Range 27 East, Township 26 South, Range 26 East, Township 26 South, Range 27 East, Eddy County, New Mexico.

CASE 3318: Application of Pan American Petroleum Corporation for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation in its Navajo Tribal "U" Well No. 6 located in Unit O of Section 22, Township 26 North, Range 18 West, San Juan County, New Mexico.

CASE 3107 (Reopened):

In the matter of Case No. 3107 being reopened pursuant to the provisions of Order No. R-2779, which order established 80-acre spacing units for the North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.



Docket No. 28-65

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 6, 1965

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

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

- CASE 3307: (Continued from September 22, 1965 Examiner Hearing)  
Application of Arwood Stowe & Company for the creation of a pool, special pool rules, and a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Mesaverde production in Section 33, Township 18 North, Range 3 West, Sandoval County, New Mexico, and the establishment of special pool rules governing well spacing of less than 40 acres and special well locations; or in the alternative, for the extension of the San Luis-Mesaverde Pool to include portions of said Section 33. Applicant further seeks authority to institute a waterflood project in said Section 33 by the injection of water into the Mesaverde formation through four wells.
- CASE 3310: (Continued from September 22, 1965 Examiner Hearing)  
Application of Cima Capitan, Inc., Ryder-Scott Management Company, and Stallworth Oil and Gas Company for a waterflood project, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to conduct a cooperative waterflood project by the injection of water into the Grayburg-San Andres formations through 16 injection wells to be drilled at unorthodox locations in Sections 25 and 36, Township 16 South, Range 30 East, and Sections 30, 31 and 32, Township 16 South, Range 31 East, Square Lake Pool, Eddy County, New Mexico.
- CASE 3313: Application of Tenneco Oil Company for a non-standard location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce its Omler "A" Well No. 2 at a non-standard undesignated Gallup oil well location 1525 feet from the North line and 1650 feet from the East line of Section 35, Township 28 North, Range 10 West, San Juan County, New Mexico.
- CASE 3314: Application of Sinclair Oil & Gas Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2040, which created a non-standard gas proration unit comprising the SW/4 of Section 14 and the SE/4 of Section 15, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, said unit to be dedicated to its Matkins Well No. 1 located in Unit P of said Section 15. Applicant proposes to dedicate said unit to its Matkins Well No. 4 located in Unit K of Section 14 in addition to said Well No. 1.
- CASE 3315: Application of Sun Oil Company for a unit agreement, Catron and Socorro Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the San Augustin Plains Unit Area comprising 404,293 acres, more or less, of Federal, State and Fee lands in Townships 1, 2, 3, 4, and 5 South, Ranges 7, 8, 9, 10, 11, and 12 West, Socorro and Catron Counties, New Mexico.

CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
B. B. CHRISTY IV  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
MICHAEL R. WALLER

LAW OFFICES  
HINKLE, BONDURANT & CHRISTY  
HINKLE BUILDING  
ROSWELL, NEW MEXICO

September 24, 1965

SEP 27 1965  
OF COUNSEL: HIRSH M. DOW  
TELEPHONE 622-6510  
AREA CODE 505  
POST OFFICE BOX 10

*Case 3317*

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico

Gentlemen:

We enclose herewith in triplicate application of Jake L. Hamon for approval of the Owl Draw Unit Agreement, Eddy County, New Mexico. It is our understanding that notice has already been given of the hearing which is set for the examiner's hearing on October 6. You will also find enclosed 3 copies of the proposed unit agreement.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle  
CJ.

CEH:cs  
Enc.

cc: Lee D. Vendig  
cc: A. C. Elliott

DOCKET MAILED

Date 9-24-65

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
THE OWL DRAW UNIT  
EDDY COUNTY, NEW MEXICO

MAILED

SEP 27 1955

Case 3317

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes Jake L. Hamon of Dallas, Texas, acting by and through the undersigned attorneys, Hinkle, Bondurant & Christy, of Roswell, New Mexico, and files herewith three copies of the Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, New Mexico, and hereby makes application for approval of said unit agreement as provided by law and the rules and regulations of the New Mexico Oil Conservation Commission, and in support thereof shows:

1. That the proposed unit area covered by said agreement embraces 8916.44 acres situated in Eddy County, New Mexico more particularly described as follows:

Township 25 South, Range 27 East, N.M.P.M.

Section 29 - SW $\frac{1}{4}$   
Section 30 - S $\frac{1}{2}$   
Section 31 - All  
Section 32 - W $\frac{1}{2}$

Township 26 South, Range 26 East, N.M.P.M.

Section 1 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 12 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 13 - E $\frac{1}{2}$   
Section 24 - All  
Section 25 - E $\frac{1}{2}$ E $\frac{1}{2}$

Township 26 South, Range 27 East, N.M.P.M.

Section 5 - W $\frac{1}{2}$   
Section 6 - All  
Section 7 - All  
Section 8 - All  
Section 17 - All  
Section 18 - All  
Section 19 - All  
Section 20 - W $\frac{1}{2}$ , SE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 29 - All  
Section 30 - All

2. That the lands embraced in the proposed unit area consist of 8,436.55 acres, or 94.61% of Federal lands; 320 acres, or 3.58% of State lands; and 159.89 acres, or 1.79% of fee lands.

3. That the proposed unit area has heretofore been designated by the Director of the United States Geological Survey as an area logically subject to unitization.

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all, or substantially all, of the geological structure or feature involved and that in the event of the discovery of oil or gas thereon said unit agreement will permit the producing area to be developed and operated in the interests of conservation and the prevention of waste of unitized substances.

5. It is contemplated that applicant, Jake L. Hamon, will be the operator of the unit area and it is proposed to drill a test well pursuant to the terms of the unit agreement to a depth sufficient to test the formations of Pennsylvanian age, but not to exceed a depth of 12,900 feet.

6. Applicant believes that in the event oil or gas in paying quantities is discovered in the lands within the unit area the pool or field can be developed more economically and efficiently under the terms of said unit agreement, to the end that the maximum recovery

of unitized substances will be obtained, and that said agreement is in the interests of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation statutes and regulations.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before the examiner on the matter of the approval of said unit and upon said hearing the same be approved by the New Mexico Oil Conservation Commission as being in the interests of conservation and the prevention of waste.

DATED this 24th day of September, 1965.

Respectfully submitted,

JAKE L. HAMON

By Clarence E. Hinkle  
Attorney at Law

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle  
Attorneys for Applicant  
Box 10  
Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
THE OWL DRAW UNIT  
EDDY COUNTY, NEW MEXICO

MAILED

SEP 27 1965

Case 3317

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes Jake L. Hamon of Dallas, Texas, acting by and through the undersigned attorneys, Hinkle, Bondurant & Christy, of Roswell, New Mexico, and files herewith three copies of the Unit Agreement for the Development and Operation of the Owl Draw Unit Area, Eddy County, New Mexico, and hereby makes application for approval of said unit agreement as provided by law and the rules and regulations of the New Mexico Oil Conservation Commission, and in support thereof shows:

1. That the proposed unit area covered by said agreement embraces 8916.44 acres situated in Eddy County, New Mexico more particularly described as follows:

Township 25 South, Range 27 East, N.M.P.M.

Section 29 - SW $\frac{1}{4}$   
Section 30 - S $\frac{1}{2}$   
Section 31 - All  
Section 32 - W $\frac{1}{2}$

Township 26 South, Range 26 East, N.M.P.M.

Section 1 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 12 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 13 - E $\frac{1}{2}$   
Section 24 - All  
Section 25 - E $\frac{1}{2}$ E $\frac{1}{2}$

Township 26 South, Range 27 East, N.M.P.M.

Section 5 - W $\frac{1}{2}$   
Section 6 - All  
Section 7 - All  
Section 8 - All  
Section 17 - All  
Section 18 - All  
Section 19 - All  
Section 20 - W $\frac{1}{2}$ , SE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 29 - All  
Section 30 - All

2. That the lands embraced in the proposed unit area consist of 8,436.55 acres, or 94.61% of Federal lands; 320 acres, or 3.58% of State lands; and 159.89 acres, or 1.79% of fee lands.

3. That the proposed unit area has heretofore been designated by the Director of the United States Geological Survey as an area logically subject to unitization.

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all, or substantially all, of the geological structure or feature involved and that in the event of the discovery of oil or gas thereon said unit agreement will permit the producing area to be developed and operated in the interests of conservation and the prevention of waste of unitized substances.

5. It is contemplated that applicant, Jake L. Hamon, will be the operator of the unit area and it is proposed to drill a test well pursuant to the terms of the unit agreement to a depth sufficient to test the formations of Pennsylvanian age, but not to exceed a depth of 12,900 feet.

6. Applicant believes that in the event oil or gas in paying quantities is discovered in the lands within the unit area the pool or field can be developed more economically and efficiently under the terms of said unit agreement, to the end that the maximum recovery

of unitized substances will be obtained, and that said agreement is in the interests of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation statutes and regulations.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before the examiner on the matter of the approval of said unit and upon said hearing the same be approved by the New Mexico Oil Conservation Commission as being in the interests of conservation and the prevention of waste.

DATED this 24th day of September, 1965.

Respectfully submitted,

JAKE L. HAMON

By Clarence E. Hinkle  
Attorney CS

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle  
Attorneys for Applicant CS  
Box 10  
Roswell, New Mexico



DRAFT

JMD/esr

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. 3317

Order No. R-2983

APPLICATION OF JAKE L. HAMON  
FOR APPROVAL OF THE OWL 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  
October 6, 1965, at Santa Fe, New Mexico, before Examiner  
Elvis A. Utz.

NOW, on this          day of October, 1965, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, 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, Jake L. Hamon,  
seeks approval of the Owl Draw Unit Agreement  
covering 8916.44 acres, more or less, of State,  
Federal lands  
and Fee  
described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 29: SW/4  
Section 30: S/2  
Section 31: All  
Section 32: W/2

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM

Section 1: E/2 E/2  
Section 12: E/2 E/2  
Section 13: E/2  
Section 24: All  
Section 25: E/2 E/2

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM

Section 5: W/2  
Sections 6, 7, and 8: All  
Sections 17, 18, and 19: All  
Section 20: W/2, SE/4, W/2 NE/4, and SE/4 NE/4  
Sections 29 and 30: All

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

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

(2) That the plan contained in said unit agreement for the development and operation of the unit area 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 Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that 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.

(4) 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 the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) 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.

Page 3317

UNIT AGREEMENT  
OWL DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

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MAIN OFFICE

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

No. \_\_\_\_\_

THIS AGREEMENT entered into as of the 24 day of Sept 1965, 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 and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 State 437, as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3,

Chapter 65, Vol. 9, Page 2, 1953 Statutes), to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Owl Draw 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. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

Township 25 South, Range 27 East, N.M.P.M.

Section 29 - SW $\frac{1}{4}$   
Section 30 - S $\frac{1}{2}$   
Section 31 - All  
Section 32 - W $\frac{1}{2}$

Township 26 South, Range 26 East, N.M.P.M.

Section 1 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 12 - E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 13 - E $\frac{1}{2}$   
Section 24 - All  
Section 25 - E $\frac{1}{2}$ E $\frac{1}{2}$

Township 26 South, Range 27 East, N.M.P.M.

Section 5 - W $\frac{1}{2}$   
Section 6 - All  
Section 7 - All  
Section 8 - All  
Section 17 - All  
Section 18 - All  
Section 19 - All  
Section 20 - W $\frac{1}{2}$ , SE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 29 - All  
Section 30 - All

containing 8,916.44 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 land 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 in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less

than seven copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Commissioner and the Commission and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of



the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the Commissioner and the Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent therefor, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of

time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent of the current unitized working interests and 60 percent of the current unitized basic royalty interests (exclusive of the basic royalty interest of the United States) on a total non-participating acreage basis, respectively, with approval of the Director and Commissioner, provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the Unit Area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Jake L. Hamon with offices at Dallas, Texas is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in him 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 owner of an interest 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 him.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Commissioner and Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State and privately owned

lands unless a new unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of the unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The 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 Director and the Commissioner..

The resignation or removal of Unit Operator under this agreement shall not terminate its 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator. Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owner shall be required to select a new operator. Such selection shall not become effective until:

(a) the Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working 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 "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating 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 inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until formations of Pennsylvanian age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish, to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, that further drilling of said well would

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 12,900 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the 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 Supervisor, if on Federal lands, or the Commissioner, if on State lands, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the



approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location of wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in

complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the six month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the Commissioner submit for approval by the Director and the Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule shall also set forth the percentage

of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of

the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the amount thereof deposited, as directed by the Supervisor and the Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement

for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas

withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land and the Commission as to State or privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner

obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contracts, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in the case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved

by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT: Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the



payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on other than Federal or State land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. 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 or Federal law or regulations.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director and the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory

royalty, as determined by the Supervisor as to Federal lands and by the Commissioner as to State lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operations for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions

of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the

non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to

the interest 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 of any working interest, royalty, or other interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any

extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such state, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing,

the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New



Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commission or Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceedings.

24. 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 personally delivered to the party or sent by postpaid registered or certified 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.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of

this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owners committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. 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.

31. NO PARTNERSHIP. It is expressly agreed that the relationship of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

\_\_\_\_\_  
JAKE L. HAMON  
Address: Vaughn Building, Dallas,  
Texas  
UNIT OPERATOR AND WORKING INTEREST  
OWNER

\_\_\_\_\_  
NANCY B. HAMON

WORKING INTEREST OWNERS

ATTEST:

AMAX PETROLEUM COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary  
Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary  
Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

EL PASO NATURAL GAS PRODUCTS COMPANY

By \_\_\_\_\_  
President  
Address: \_\_\_\_\_

GULF OIL CORPORATION

By \_\_\_\_\_  
Attorney-in-Fact  
Address: P.O. Box 1938  
Roswell, New Mexico

HUMBLE OIL & REFINING COMPANY

By \_\_\_\_\_  
Address: \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION

By \_\_\_\_\_  
President  
Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by Jake L. Hamon and Nancy B.  
Hamon, his wife.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of Amax Petroleum Company, a \_\_\_\_\_  
corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of El Paso Natural Gas Products Company, a  
corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of Humble Oil & Refining Company,  
a Delaware corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corpora-  
tion, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_  
\_\_\_\_\_ of Pan American Petroleum Corporation,  
a Delaware corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
Notary Public



STATE OF \_\_\_\_\_ )  
: ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_ 1965 by

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
: ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by

My Commission Expires: \_\_\_\_\_

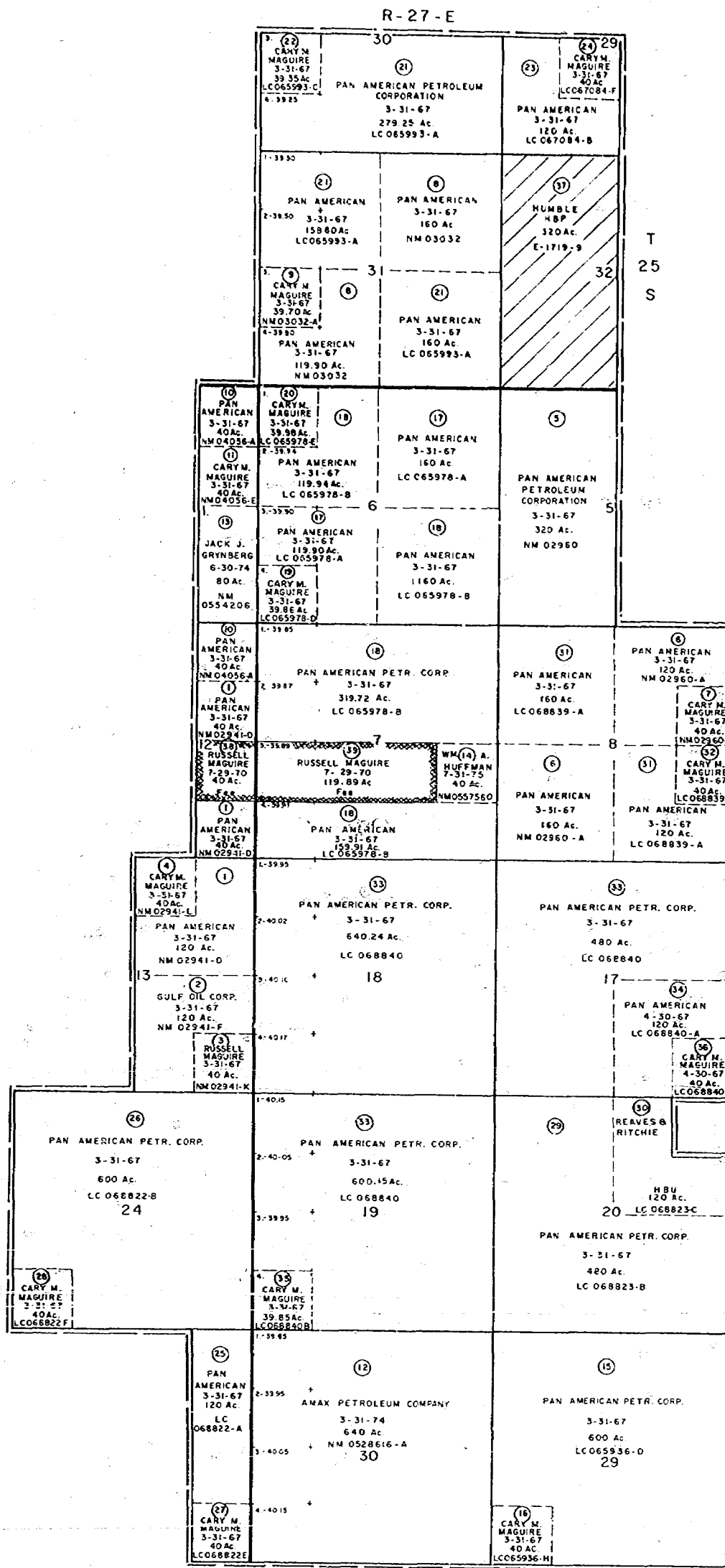
\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
: ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_ 1965 by

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



-LEGEND-

- Federal Acreage
- State Acreage
- Fee Acreage
- Unit Boundary
- Tract Numbers

EXHIBIT 'A'  
OWL DRAW UNIT  
EDDY COUNTY, NEW MEXICO

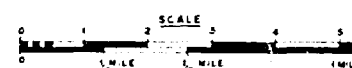


EXHIBIT "B"  
SCHEDULE SHOWING THE PERCENTAGE AND KIND  
OF OWNERSHIP OF ALL LANDS IN THE  
OWL DRAW UNIT, EDDY COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
<b>FEDERAL LANDS:</b>							
<u>All in T. 26 S., R. 26 E:</u>							
1.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12; E $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 13	200	NM 02941-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	3% - Jessie Thomson Kinahan	*Pan American Petroleum Corporation - All
2.	N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13	120	NM 02941-F 3/31/67	U.S. 12 $\frac{1}{2}$ %	Gulf Oil Corporation	3% - Jessie Thomson Kinahan	Gulf Oil Corporation - All
3.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13	40	NM 02941-K 3/31/67	U.S. 12 $\frac{1}{2}$ %	Russell Maguire	3% - Jessie Thomson Kinahan 2% - A. C. Holder	** Russell Maguire - All
4.	NW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 13	40	NM 02941-L 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	3% - Jessie Thomson Kinahan	Cary M. Maguire - All
<u>All in T. 26 S., R. 27 E:</u>							
5.	W $\frac{1}{2}$ Sec. 5	320	NM 02960 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
6.	SW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8	280	NM 02960-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
7.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8	40	NM 02960-C 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
<u>All in T. 25 S., R. 27 E:</u>							
8.	NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31	279.90	NM 03032 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Helen Orton Ham Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
9.	NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31	39.70	NM 03032-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Helen Orton Ham Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
All in T. 26 S., R. 26 E:							
10.	NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 1; NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 12	80	NM 04056-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	3% - Allie V. Tapp	*Pan American Petroleum Corporation - All
11.	SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 1	40	NM 04056-E 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	3% - Allie V. Tapp	Cary M. Maguire - All
All in T. 26 S., R. 27 E:							
12.	Section 30	640	NM 0528616-A 3/31/74	U.S. 12 $\frac{1}{2}$ %	Amox Petroleum Company	2 $\frac{1}{2}$ % - Martin Davis $\frac{1}{2}$ of 1% - Stephen C. Helbing	***Amox Petroleum Company - All
All in T. 26 S., R. 26 E:							
13.	E $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 1	80	NM 0554206 6/30/74	U.S. 12 $\frac{1}{2}$ %	Jack J. Grynberg	None	Jack J. Grynberg - All
All in T. 26 S., R. 27 E:							
14.	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 7	40	NM 0557560 7/31/75	U.S. 12 $\frac{1}{2}$ %	William A. Huffman	None	William A. Huffman - All
15.	E $\frac{1}{4}$ , NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	600	LC 065936-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	3% - V. L. Gates 1/8 - Surface to 4,000' in SW $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 29 - W. G. Weatherford	*Pan American Petroleum Corporation - All
16.	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	40	LC 065936-H 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	3% - V. L. Gates	Cary M. Maguire - All
17.	NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 6	279.90	LC 065978-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott	*Pan American Petroleum Corporation - All

## Exhibit "B" - Owl Draw Unit - Page 3

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty Percentage	Lessee of Record	Overriding Royalty or Production Payments		Working Interest Owners and Percentage
18.	SE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 6; N $\frac{1}{4}$ , S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 7	759.57	LC 065978-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott		*Pan American Petroleum Corporation - All
19.	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 6	39.86	LC 065978-D 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott		Cary M. Maguire - All
20.	NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 6	39.98	LC 065978-E 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott		Cary M. Maguire - All
All in T. 25 S., R. 27 E:								
21.	SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 30; SE $\frac{1}{4}$ , NW $\frac{1}{4}$ Sec. 31	598.05	LC 065993-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Helen Orton Ham Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.		*Pan American Petroleum Corporation - All
22.	NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 30	39.35	LC 065993-C 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Helen Orton Ham Watson 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.		Cary M. Maguire - All
23.	W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	120	LC 067084-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott		*Pan American Petroleum Corporation - All
24.	NE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29	40	LC 067084-F 3/31/67	U. S. 12 $\frac{1}{2}$ %	Cary M. Maguire	2 $\frac{1}{2}$ % - Edna Ione Hall 2 $\frac{1}{2}$ % - Frank O. Elliott		Cary M. Maguire - All
All in T. 26 S., R. 26 E:								
25.	E $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 25	120	LC 068822-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.		*Pan American Petroleum Corporation - All

Exhibit "B" - Owl Draw Unit - Page 4

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
26.	N $\frac{1}{2}$ , SE $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 24	600	LC 068822-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
27.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 25	40	LC 068822-E 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
28.	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 24	40	LC 068822-F 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Margery F. Sweetser 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
All in T. 26 S., R. 27 E:							
29.	W $\frac{1}{2}$ , SE $\frac{1}{4}$ Sec. 20	480	LC 068823-B 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	5% - Margery Sweetser	*Pan American Petroleum Corporation - All
30.	W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 20	120	LC 068823-C HBU (Prod.)	U.S. 12 $\frac{1}{2}$ %	J. S. Reaves & J. M. C. Ritchie	5% - Margery Sweetser	J. S. Reaves and J. M.C. Ritchie - All
31.	NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 8	280	LC 068839-A 3/31/67	U.S. 12 $\frac{1}{2}$ %	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
32.	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 8	40	LC 068839-C 3/31/67	U.S. 12 $\frac{1}{2}$ %	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All

## Exhibit "B" - Owl Draw Unit - Page 5

Tract No.	Description of Land	No. of Acres	Lease No. & Basic Royalty & Percentage	Expiration Date	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
33.	All Sec. 18; N $\frac{1}{2}$ , SW $\frac{1}{4}$ Sec. 17; N $\frac{1}{2}$ , SE $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 19	17; 1,720.39	U.S. 12 $\frac{1}{2}$ %	LC 068840 3/31/67	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
34.	N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 17	120	U.S. 12 $\frac{1}{2}$ %	LC 068840-A 4/30/67	Pan American Petroleum Corporation	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	*Pan American Petroleum Corporation - All
35.	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 19	39.85	U.S. 12 $\frac{1}{2}$ %	LC 068840-B 3/31/67	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
36.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 17	40	U.S. 12 $\frac{1}{2}$ %	LC 068840-C 4/30/67	Cary M. Maguire	1% - Dorothy L. Hanks 2% - Frank O. Elliott 2% - Ora R. Hall, Jr.	Cary M. Maguire - All
TOTAL - 36 FEDERAL TRACTS COMPRISING 8,436.55 ACRES, OR 94.6179% OF UNIT AREA							
STATE LANDS							
All in T. 25 S., R. 27 E:							
37. W $\frac{1}{2}$ Sec. 32		320	State of N. M. - 12 $\frac{1}{2}$ %	E-1719-9 HBP	Humble Oil & Refining Company	Production payment of \$250.00 per acre out of 2 $\frac{1}{2}$ % owned as follows: .3125% - John M. Kelly and wife Esther Kelly .3125% - John E. Miles .9375% - Thomas C. Closson .9375% - Mary Closson Hess	***Humble Oil & Refining Company - All
TOTAL - 1 STATE TRACT COMPRISING 320 ACRES, OR 3.5889% OF UNIT AREA							
FEE LANDS							
All in T. 26 S., R. 26 E:							
38. NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12		40	Earl Forehand et al - 12 $\frac{1}{2}$ %	7/29/70	Russell Maguire	None	**Russell Maguire - All

Exhibit "B" - Owl Draw Unit - Page 6

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record	Overriding royalty or Production Payments	Working Interest Owners and Percentage
All in T. 26 S., R. 27 E: 39. NW $\frac{1}{4}$ SE $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 7		119.89	7/29/70	Earl Forehand et al - 12 $\frac{1}{2}$ %	Russell Maguire	None	**Russell Maguire - All

TOTAL - 2 FEE TRACTS COMPRISING 159.89 ACRES, OR 1.7932% OF UNIT AREA

TOTAL - 39 TRACTS COMPRISING 8,916.44 ACRES IN ENTIRE UNIT AREA

\* Pan American Petroleum Corporation has agreed to contribute 1/2 of its leasehold interests to Jake L. Hamon and Russell Maguire in consideration of drilling the initial test well pursuant to the terms of the Unit Agreement in the event it is completed as a well capable of producing unitized substances in paying quantities; provided, however, Hamon and Maguire are to earn all of Pan American's interest in the 80 acre legal subdivision on which the initial test well is drilled in the event it is completed as an oil well and in and to the 640 acre section upon which said well is located in the event it is completed as a gas well, subject to a 1/8 of 8/8 overriding royalty payable to Pan American Petroleum Corporation.

\*\* Upon completion of the initial test well as a well capable of producing unitized substances in paying quantities, the working interest in these tracts will be owned 1/2 by Pan American Petroleum Corporation, 1/4 by Russell Maguire and 1/4 by Jake L. Hamon.

\*\*\* Subject to farmcut agreements with Jake L. Hamon and Russell Maguire.



BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 3  
CASE NO. 3317

R-26-E

R-27-E

LEGEND






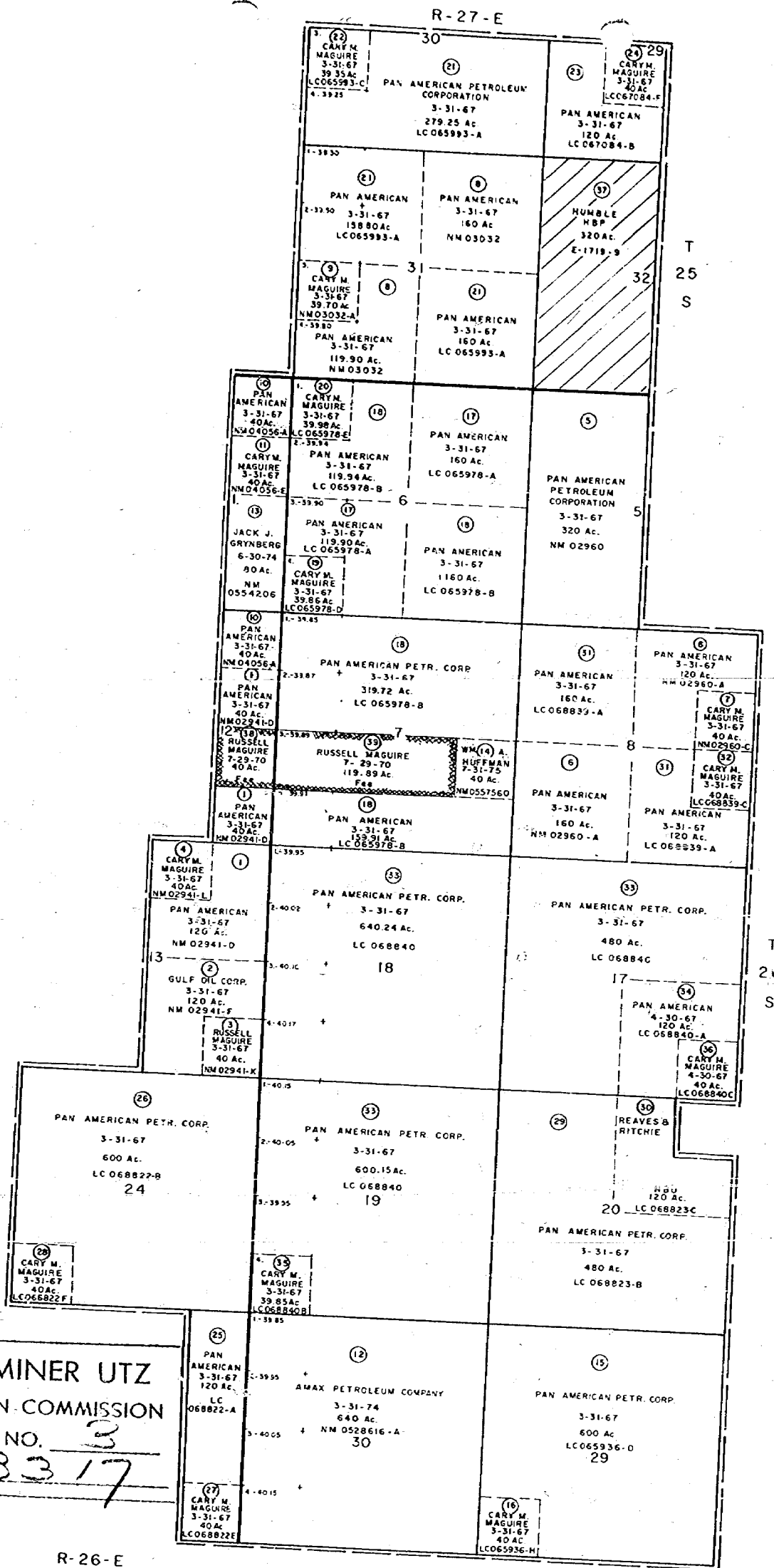
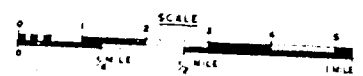
-  Federal Acreage
-  State Acreage
-  Fee Acreage
-  Unit Boundary
-  Tract Numbers

EXHIBIT 'A'  
OWL DRAW UNIT  
EDDY COUNTY, NEW MEXICO





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON 25, D. C.

IN REPLY REFER TO:

21 /

Case 3317

SEP 3 1965

RECEIVED  
SEP 10 1965

Hinkle, Bondurant & Christy  
P. O. Box 10  
Roswell, New Mexico

Attention: Mr. Clarence E. Hinkle

Gentlemen:

HINKLE, BONDURANT & CHRISTY  
ROSWELL, NEW MEXICO

Your application of August 24 filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Jake L. Hamon and Russell Maguire, requests the designation of the Owl Draw unit area embracing 8,916.44 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your plat marked "Exhibit A, Owl Draw Unit, Eddy County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test formations of Pennsylvanian age, or to a depth of 12,900 feet. The 1961 reprint of the standard form of unit agreement should be used, modified by the following changes as proposed by your application:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:  
"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."
2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:  
"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of Section 301(1) to (7) inclusive of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement."

3. Insertion of the appropriate language required for State of New Mexico lands.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in the preparation of Exhibits "A" and "B."

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,



Acting Director

dearnley-meier reporting service, inc.

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PAGE 1

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 6, 1965

EXAMINER HEARING

IN THE MATTER OF:

Application of Jake L. Hamon for a unit  
agreement, Eddy County, New Mexico.  
Applicant, in the above-styled cause,  
seeks approval of the Owl Draw Unit  
Area comprising 8,916 acres, more or  
less, of Federal, State and Fee lands  
in Township 25 South, Range 27 East,  
Township 26 South, Range 26 East,  
Township 26 South, Range 27 East, Eddy  
County, New Mexico.

Case No. 3317

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING



MR. UTZ: Case 3317.

MR. DURRETT: Application of Jake L. Hamon for a unit agreement, Eddy County, New Mexico.

MR. HINKLE: Clarence Hinkle, Hervey, Dow and Hinkle, Roswell, appearing on behalf of Jake L. Hamon. We have one witness, Mr. Andy Elliott, and three exhibits which I would like to have identified.

(Witness sworn.)

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 marked for identification.)

ANDREW C. ELLIOTT

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A Andrew C. Elliott.

Q By whom are you employed, Mr. Elliott?

A Jake L. Hamon.

Q In what capacity?

A District Geologist, Midland.

Q You are a graduate geologist?

A Yes, sir.

Q You are familiar with all of Mr. Hamon's operations



in New Mexico?

A Yes, sir.

Q Are you familiar with the area known as the Owl Draw Unit Area?

A Yes, sir.

Q And you made a study of that area?

A Yes, sir.

Q Have you previously testified before the Oil Conservation Commission?

A Yes, sir.

Q And your qualifications as an expert are a matter of record before the Commission?

A Yes, sir.

Q Are you familiar with the application of Jake L. Hamon in this case?

A Yes, sir.

Q What is Mr. Hamon seeking to do by this application?

A Unitize 8,436.55 acres or 94.61 percent Federal lands, 320 acres or 3.85 percent State lands, 159.89 acres or 1.79 of Fee lands.

Q Generally speaking, where is this area located?

A It's located in the southern part of Eddy County, Township 26 South and 27 East.

Q Has this area been heretofore designated by the



United States Geological Survey as an area suitable and proper for unitization?

A Yes, sir.

Q Refer to Hamon's Exhibit No. 1 and explain what that is and what it shows.

A This is the application in behalf of Jake L. Hamon requesting designation of Owl Draw Unit Area comprising 8,916.44 acres, more or less, Eddy County, New Mexico, as logically subject to unit agreement under the leasing provisions of the Mineral Leasing Act, as amended. This has been approved by the United States Geological Survey.

Q As of September 3rd, 1965, is that right?

A Right.

Q Now refer to Exhibit No. 2 and explain what that is and what it shows.

A Exhibit No. 2 is a seismic interpretation by Mr. Hamon's consulting geologist of Pan American records. This map shows --

Q Is that the seismic graph record you speak of?

A Seismic graph records owned by Pan American Petroleum.

Q And were turned over to Mr. Hamon?

A They were turned over to us for review, yes, sir.

This is, the exhibit shows the structural interpretation on top of the Devonian at about minus 10,000 feet, and shows that



we have an anomaly showing about 300 feet of critical west dip, and we also show it to be higher than Pan American's original Welch Unit No. 1.

Q Where is the Welch Unit No. 1 located?

A Located in the Northwest Quarter of Section 21.

Q What was the depth of that well?

A That depth went to the Devonian, 13,000 -- well, I don't have that figure right with me here.

Q Well, it was a Devonian test?

A It was a Devonian test, penetrated the Devonian, yes, sir.

Q Was that completed as a producing well?

A They attempted completion on it but it was never commercial. They did set pipe and perforate and attempted to complete but it was unsuccessful.

Q Does Exhibit No. 2 show the outlines of the proposed unit?

A The green outline is the proposed unit, yes, sir.

Q As approved by the --

A United States Geological Survey.

Q What was the reason for the little jog there of 40 acres in Section 20, I guess it is?

A In Section 20 there has been established subsequent to the drilling of the original well in here, subsequent to



that there has been established some Delaware sand production at about 2,000 feet, that being the reason for deleting that 40-acre tract.

Q And there's a small unit there?

A There's a unit joining this.

Q That goes into the 40-acre and that was the reason for leaving it, is that right?

A That's right.

Q Where is the State land located in this unit?

A The State acreage is the West Half of Section 32, and that's all, 320 acres under lease to Humble.

Q Where is the Fee land located?

A The Fee land is located in the South Half- it would be the North Half of the South Half of Section 7, deleting the east 40 acres. The Federal acreage is all the remaining within the unit outline.

Q In your opinion, will this unit area cover substantially all of the structure anomaly which is involved in this case, and give effective control in the event of production or discovery?

A Yes, sir.

Q Does Exhibit No. 2 show the location of the proposed well?

A The proposed location is 1980 from the West line

and 660 from the South line of Section 18, 26 South, 27 East.

Q To what depth do you propose to drill that well?

A We propose to drill this well to 12,900 feet to penetrate the entire Morrow gas section.

Q That is the main objective in this case, the Morrow?

A The Morrow sands are the main objective, which had favorable shows in the original well drilled in Section 21.

Q Will this well penetrate any other formations which might possibly prove to be productive?

A We feel that we have possibilities from the Delaware sand on down through the Bone Springs and Wolfcamp and Morrow sands.

Q Is there anything else you would like to tell the Commission with respect to this exhibit?

A You will notice a little separation in the seismic events, the subsurface, subsea depth; you will note up to the north the anomaly is mapped at about minus 8,000 feet, the reason being that the event associated with the Devonian which covers the southern two-thirds of the area, was a good mappable event and as the record seemed to get worse, or non-interpretable under this area, and then we had to jump up 2,000 feet to get another mappable event. That's the reason for the difference in the subseas.

Q So you have shown an area here in between the two

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PAGE 8

anomalies, the north and the center, in which there's no actual seismic tie-in between them?

A That's right. In other words, this is mapped at ten five on a good event, whereas the event not so good here and another event came in and which was 2,000 feet shallower.

Q But that has been included in this area due to the fact of the uncertainty, and it possibly could tie in, though?

A That's right. We feel that this anomaly here will project down to the depth here at the Siluro-Devonian. However, we had to stay with our information.

Q Now refer to Exhibit No. 3. Is that the same exhibit as is attached to the unit agreement?

A Yes, sir.

Q Copies of the unit agreement have been filed with the application and are part of the record in this case. What does Exhibit No. 3 show?

A That shows the unit outline, showing the Federal acreage in blank, the State acreage is hatched, the Fee acreage is hatched around the inside, in Section 7 is the only Fee tract.

Q It also shows the serial numbers--

A The serial numbers.

Q -- of the Federal and State leases?

A Federal and State leases, and the companies owning

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PAGE 9

leases in the unit outline.

Q The lease ownership and the expiration date of the leases?

A Yes.

Q Who will be the operator of this unit?

A Mr. Jake L. Hamon.

Q Has Hamon made contact with most of the, or all of the working interest owners holding leasehold interest in this area, to determine whether or not they will commit their acreage?

A Yes, sir.

Q Can you state at this time with any degree of certainty as to the probable percentage of commitment which you will have?

A I think roughly from eighty-five to ninety percent.

Q Are you familiar with the form of unit agreement which is proposed to be used in this case and which has been filed with the application?

A Yes, sir.

Q Is this the same form or substantially the same form as the regulation Federal form, with the usual modifications where State and Fee acreage is involved?

A Yes, sir.

Q And this is the same form that has been used and

approved in numerous cases?

A That's right.

Q Does the unit agreement provide for the drilling of the initial test well which you've testified to?

A Yes, sir.

Q What is the maximum depth which the unit provides to be drilled?

A We propose to drill the first well to 12,900 feet, complete penetration of the Morrow gas section.

Q Now all formations from the surface on down are unitized or proposed to be unitized under this agreement?

A Yes, sir.

Q In your opinion, if you should obtain production or make a discovery here, will this agreement be in the interest of conservation and the prevention of waste?

A Yes, sir.

Q And in this case would it also promote the greatest ultimate recovery of oil and gas?

A Yes.

Q And would also protect correlative rights?

A Yes, sir.

MR. HINKLE: We would like to offer in evidence Exhibits 1 through 3, inclusive.

MR. UTZ: Without objection, Exhibits 1 through 3

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PAGE 11

will be entered into the record of this case.

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 offered and admitted in evidence.)

MR. HINKLE: That's all we have.

MR. UTZ: Any questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case? The case will be taken under advisement.

\* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

I, ADA DEARNLEY, Court Reporter - Notary Public, 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 5th day of November, 1965.

*Ada Dearnley*  
Court Reporter - Notary Public

My Commission Expires:

June 19, 1967.

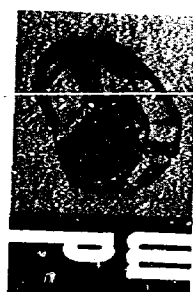
I do hereby certify that the foregoing is a complete record of the proceedings in the Executive Hearing of Case No. 3362 heard by me on 6-6-65 1965.

*Thurman G. ...*  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 6, 1965

EXAMINER HEARING

IN THE MATTER OF:

Application of Jake L. Hamon for a unit  
agreement, Eddy County, New Mexico.  
Applicant, in the above-styled cause,  
seeks approval of the Owl Draw Unit  
Area comprising 8,916 acres, more or  
less, of Federal, State and Fee lands  
in Township 25 South, Range 27 East,  
Township 26 South, Range 26 East,  
Township 26 South, Range 27 East, Eddy  
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Case No. 3317

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING



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(Witness sworn.)

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 marked for identification.)

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

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BY MR. HINKLE:

Q State your name, please.

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A Jake L. Hamon.

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Q You are a graduate geologist?

A Yes, sir.

Q You are familiar with all of Mr. Hamon's operations



in New Mexico?

A Yes, sir.

Q Are you familiar with the area known as the Owl Draw Unit Area?

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Q And you made a study of that area?

A Yes, sir.

Q Have you previously testified before the Oil Conservation Commission?

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Q And your qualifications as an expert are a matter of record before the Commission?

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PAGE 7

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Q And would also protect correlative rights?

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MR. HINKLE: We would like to offer in evidence Exhibits 1 through 3, inclusive.

MR. UTZ: Without objection, Exhibits 1 through 3



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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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PAGE 11

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(Whereupon, Applicant's Exhibits Nos.  
1, 2, and 3 offered and admitted in  
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MR. HINKLE: That's all we have.

MR. UTZ: Any questions of the witness? The witness  
may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case? The case  
will be taken under advisement.

\* \* \* \*

STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF BERNALILLO    )

I, ADA DEARNLEY, Court Reporter - Notary Public, 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 5th day of November, 1965.

  
Court Reporter - Notary Public

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Exam. Hearing of Case No. 3312  
heard by me on 10-6 1965.

, Examiner  
New Mexico Oil Conservation Commission