

**EARLE M. CRAIG, JR. CORPORATION**

1400 TWO FIRST CITY CENTER  
MIDLAND, TEXAS  
915 682-8244

1 October 1985

MAILING ADDRESS:  
P. O. BOX 1351  
MIDLAND, TEXAS 79702-1351

State of New Mexico  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

*Case 8737*

Attention Richard L. Stamets, Director

Request for Hearing to obtain  
order pooling all interests in  
Communitized Unit  
Eddy County, New Mexico

Gentlemen:

Earle M. Craig, Jr., Corporation ("Craig") hereby requests a hearing before the Oil Conservation Commission to obtain an Order pooling all working interests within the following lands for which verbal approval of Communitization has been given by Bureau of Land Management:

S/2 of Section 18,  
T-26-S, R-31-E, NMPM  
Eddy County, New Mexico

Fully executed communitization agreements have been sent to the Bureau of Land Management, copy of which is attached hereto as Exhibit "A".

Craig is required to commence prior to 06 December 1985, an approximate 13,000' well to test the Wolfcamp formation, on the subject acreage, with non-standard location pending, Case #8707. Hamilton Brothers Oil Company ("Hamilton"), P.O. Box 5870, Denver, CO 80217, with a working interest of 6.25293%, is the only interest owner in the proposed proration unit which has not yet agreed to pool its interest. Craig informed Hamilton by telephone on 20 September 1985 that Craig intends to institute compulsory pooling procedures if Hamilton does not submit joinder or alternative agreement. This conversation followed several telephone contacts requesting decision.

By correspondence dated 10 September 1985, copy of which is attached as Exhibit "B", Craig proposed to Hamilton terms under which Hamilton could farm out its interest to Craig, or as

**EARLE M. CRAIG, JR. CORPORATION**

alternative, join in the drilling of the proposed well. Attached to 10 September 1985 letter was proposed Authority for Expenditure (AFE). Additionally, in correspondence dated 24 July 1985, Craig proposed to purchase Hamilton's interest. Hamilton's only reply to any contact made is 2 September 1985 letter to Craig wherein Hamilton advised it rejected Craig's offer to purchase. Copy of this letter also has been sent to Hamilton by certified mail.

By separate agreements with other interest holders, Craig must commence a test well on subject acreage for a Wolfcamp test on or before 6 December 1985. To protect correlative rights, and to afford each unit-interest owner the opportunity to recover or receive without unnecessary expense its just and fair share of the gas and oil in subject pool, Craig respectfully seeks an order pooling all mineral interests from the surface to the stratigraphic equivalent of 12,950' feet, as shown on electric log in the Texas Pacific #1 Phantom Draw Unit well, underlying the S/2 of Section 18, T-26-S, R-31-E, NMPM, Eddy County, New Mexico. Craig proposes also that the Oil Conservation Division finds and orders the following:

1. Applicant, Earle M. Craig, Jr. Corporation be designated operator;
2. Due public notice to be given as required;
3. Any non-consenting working interest to be afforded opportunity to pay its share of estimated well costs on or before 15 November 1985;
4. Operator to be authorized to withhold pro-rata share of reasonable well costs attributable to any non-consenting working interest owner which has not paid its share of estimated well costs on or before 15 November 1985;
5. Charge for the risk involved in the drilling of the well to be 200 percent;
6. Operator to distribute said costs and charges, withheld from production, to the parties who advanced the well costs;
7. \$5,175 per month while drilling and \$518 per month while producing to be fixed as reasonable charges for operator's supervision; and
8. Operator to be authorized to withhold from production the proportionate share of charges for supervision, and in

EARLE M. CRAIG, JR. CORPORATION

addition the proportionate share of actual expenditures required for operating such well attributable to any non-consenting interest.

Thank you for your consideration in this matter.

Yours truly,



Steven R. Foy  
Landman

SRF/tjm

EARLE M. CRAIG, JR. CORPORATION

1400 TWO FIRST CITY CENTER  
MIDLAND, TEXAS  
915 682-8244

MAILING ADDRESS:  
P. O. BOX 1351  
MIDLAND, TEXAS 79702-1351

EXHIBIT "B"

10 September 1985

Hamilton Brothers Oil Company  
P. O. Box 5870  
Denver, Colorado 80217

Attention Ned Burke, Landman  
Northern Division

Farmout Request  
Eddy County, New Mexico  
HBOC - NM001

Gentlemen:

Federal records indicate Hamilton Brothers Oil Company ("Hamilton") owns 12.5% interest above the stratigraphic equivalent of 12,950', as shown on electric log in the Texas Pacific #1 Phantom Draw Unit well, in the leasehold estate of the following lands:

T-26--S, R-31-E, NMPM  
Section 18: SE/4

I hereby request on behalf of Earle M. Craig, Jr. Corporation ("Craig"), a farmout of Hamilton's interest in the farmout acreage, to provide for the following basic terms:

1. Within 120 days after receipt of a signed farmout agreement from Hamilton, Craig would commence or cause to be commenced the drilling of a test well at a legal location on the farmout acreage, to test the Wolfcamp formation at an approximate depth of 13,000'. Craig would have the option to drill to any deeper depth or formation;
2. With the completion of a well capable of producing oil and/or gas on the farmout acreage, Craig would earn 100% of Hamilton's working interest and 75% net revenue interest in the farmout acreage. Hamilton would retain in the test well an overriding royalty interest of the difference between the present lease burdens and 25%;
3. At payout of the test well Hamilton would have the option either to retain its overriding royalty interest or convert said interest to 25% working interest in said



EARLE M. CRAIG, JR. CORPORATION

Hamilton Brothers Oil Company  
10 September 1985  
page 2

well, proportionately reduced, subject to an AAPL - 1982 Operating Agreement naming Craig as operator; providing among other usual terms, 400% non-consent penalty provision, a drilling well rate of \$4,500, and a producing well rate of \$450 per COPAS Accounting Procedure; and

4. Craig would earn no acreage should test well be completed as a non-producer.

Should the above be unacceptable to Hamilton, Craig proposes Hamilton join in the drilling of the Spitfire "18" #1 at a location of 660' FSL and 660' FEL of Section 18. The proration unit will consist of the S/2 of Section 18.

Please make election below and return signed copy to Craig before 1 October 1985. If Hamilton elects to farmout, please prepare formal farmout agreement. If Hamilton elects to participate, also sign and return enclosed AFE. A proposed Operating Agreement will be furnished upon receipt of signed AFE.

Yours truly,

SRF

Steven R. Foy  
Landman

SRF/tjm

\_\_\_\_\_ Farmout for drilling of Spitfire "18" #1

\_\_\_\_\_ Participate in drilling of Spitfire "18" #1

HAMILTON BROTHERS OIL COMPANY

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

E. L. M. CRAIG, JR. CORPORATION  
AUTHORIZATION FOR EXPENDITURE

Phantom Draw Prospect  
Spitfire "18" No. 1  
660' FEL & 660' FSL, Section 18, T-26-S, R-31-E  
Eddy County, New Mexico  
AFE NO. NM-3  
Prepared by: James E. Yeley *JY*

Proposed T. D.: 13,000'

Date: 28 August 1985

DRILLING COST ESTIMATE

Footage Drilling Costs --12,000' @ \$19.50/ft.-----	\$234,000
Daywork Drilling Costs ---25 days @ \$4300/day-----	107,500
Wellsite Surveys and Permits-----	1,350
Dirtwork-----	17,000
Drilling Mud and Chemicals-----	59,500
Drilling Water-----	36,000
Conductor Casing-----	1,000
Surface Casing----13 3/8" @ 1,000'-----	17,800
Intermediate Casing--9 5/8" @ 3800'\$58,340, 7" @ 12,050 \$120,000-	178,340
7" x 9 5/8" liner hanger-----	7,600
Volume Surveys-----	1,200
Cement Services and Supplies-----	62,849
Rental Equipment-----	35,000
Wellhead Assembly-----	12,376
Drillstem Testing-----	9,000
Electric Logging-----	38,000
Transportation-----	5,000
Mud Logging---40 Days @ \$400/Day-----	16,000
Geological Expense-----	8,000
Engineering Expense-----	12,000
Contract Labor-----	18,000
Welding-----	2,000
Bits and Stabilization-----	18,000
Casing Crews and Equipment-----	3,500
Miscellaneous Services and Supplies-----	15,000
Contingencies-----	10,000
TOTAL DRILLING COST ESTIMATE-----	\$926,015

COMPLETION COST ESTIMATE

Daywork Drilling Costs-----4 Days @ \$4300-----	\$17,200
Production Casing-----4 1/2 " @ 13,000'-----	76,801
Ruff Coat-----	1,500
Cement Services and Supplies-----	22,000
Production Tbg--2 7/8", N-80 w/AB Modified, Special Clearance Cplgs	56,000
Tubing head and Tree-----	21,000
Logging-----	5,000
Production Packer-----	6,000
Perforating-----	14,000
Testing-----	5,500
Storage Tanks-----	15,000
Separator Equipment-----	15,000
Flowlines and Tank Battery Connections-----	6,000
Welding-----	3,000
Dirt Work-----	2,500
Transportation-----	3,000
Contract Labor-----	4,500
Casing Crews and Equipment-----	3,000
Miscellaneous Services and Supplies-----	5,000
Supervision-----	2,500
Contingencies-----	10,000
TOTAL COMPLETION COST ESTIMATE-----	\$ 294,501
TOTAL DRY HOLE COST ESTIMATE-----	\$ 951,015
TOTAL DRILLING AND COMPLETION COST ESTIMATE-----	\$1,220,516

	<u>Tangible</u>	<u>Intangible</u>	<u>Total</u>
Drilling Cost	\$217,116	\$708,899	\$ 926,015
Completion Cost	<u>\$195,801</u>	<u>\$ 98,700</u>	<u>\$ 294,501</u>
	\$412,917	\$807,599	\$1,220,516

Company Hamilton Brothers Oil Company % Working Interest 6.25293

By \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Exhibit "A"

to Letter to State of New Mexico, dated 1 October 1985

COMMUNITIZATION AGREEMENT

EARLE M. CRAIG, JR. CORPORATION - SPITFIRE "18" #1

S/2 of Section 18

THIS AGREEMENT, entered into as of the 26th day of August 1985, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions thereof with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

S/2 of Section 18, Township 26 South, Range 31 East,  
NMPM, Eddy County, New Mexico.

containing 319.85 acres, more or less, and this agreement shall extend to and include only the Wolfcamp Formation underlying said lands and the dry gas and associated liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, are Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage of ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling, and Exhibit "B" showing a plat of the proposed communitized lands, the ownership of the leased lands, and proposed well location.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Deputy Manager of the Oil and Gas Mineral Management Service.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United

States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases, subject to this agreement shall not be affected by this agreement, except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval of the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter,

reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non-production.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which The United States of America is lessor and in the applicable oil and gas operation and regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer of conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This Agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. 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 parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

In Witness Whereof, the parties hereto have executed this Agreement as of the day and year first above written and have set opposite their respective names the date of execution.

EARLE M. CRAIG, JR. CORPORATION

Date: 26 August 1985

By: *Judith H. Devenport*  
Judith H. Devenport, Vice President

CRAIG, LTD.

Date: 26 August 1985

By: *Earle M. Craig, Jr.*  
Earle M. Craig, Jr., Sole General Partner

SOHIO PETROLEUM COMPANY

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

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

UNION OIL COMPANY OF CALIFORNIA

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

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

HAMILTON BROTHERS OIL COMPANY

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

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

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EARLE M. CRAIG, JR. CORPORATION

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

By: \_\_\_\_\_  
Judith H. Devenport, Vice President

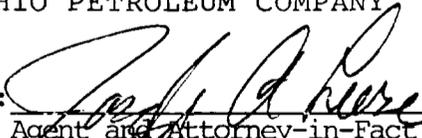
CRAIG, LTD.

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

By: \_\_\_\_\_  
Earle M. Craig, Jr., Sole General Partner

SOHIO PETROLEUM COMPANY

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

By:  \_\_\_\_\_  
Agent and Attorney-in-Fact  
UNION OIL COMPANY OF CALIFORNIA

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

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

HAMILTON BROTHERS OIL COMPANY

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

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

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EARLE M. CRAIG, JR. CORPORATION

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

By: \_\_\_\_\_  
Judith H. Devenport, Vice President

CRAIG, LTD.

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

By: \_\_\_\_\_  
Earle M. Craig, Jr., Sole General Partner

SOHIO PETROLEUM COMPANY

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

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

UNION OIL COMPANY OF CALIFORNIA

Date: August 30, 1985

By: *John Hamilton*  
Attorney-in-Fact

HAMILTON BROTHERS OIL COMPANY

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

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

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

By: \_\_\_\_\_  
Judith H. Devenport, Vice President

CRAIG, LTD.

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

By: \_\_\_\_\_  
Earle M. Craig, Jr., Sole General Partner

SOHIO PETROLEUM COMPANY

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

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

UNION OIL COMPANY OF CALIFORNIA

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

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

HAMILTON BROTHERS OIL COMPANY

Date: September 23, 1985

By: *[Signature]*  
Vice President

ATTEST:

*C. P. ...*  
Assistant Secretary

SOUTHLAND ROYALTY COMPANY

Date: 8-29-85

By: A. D. Jantz Attorney-in-Fact  
SUN EXPLORATION AND PRODUCTION COMPANY

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

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

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 26th day of August, 1985, by Judith H. Devenport, Vice President of Earle M. Craig, Jr. Corporation, a Texas corporation, on behalf of said corporation.

\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 26th day of August, 1985, by Earle M. Craig, Jr., Sole General Partner of Craig, Ltd., a Texas Limited Partnership, on behalf of said partnership.

\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Sohio Petroleum Company a \_\_\_\_\_ corporation, on behalf of said corporation.

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

SOUTHLAND ROYALTY COMPANY

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

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

SUN EXPLORATION AND PRODUCTION COMPANY

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

By: *Lisa R. Steele*

ATTORNEY-IN-FACT

THE STATE OF TEXAS       X  
COUNTY OF MIDLAND       X

The foregoing instrument was acknowledged before me this 26th day of August, 1985, by Judith H. Devenport, Vice President of Earle M. Craig, Jr. Corporation, a Texas corporation, on behalf of said corporation.

\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for  
the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF TEXAS       X  
COUNTY OF MIDLAND       X

The foregoing instrument was acknowledged before me this 26th day of August, 1985, by Earle M. Craig, Jr., Sole General Partner of Craig, Ltd., a Texas Limited Partnership, on behalf of said partnership.

\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for  
the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF               X  
COUNTY OF                X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Sohio Petroleum Company a \_\_\_\_\_ corporation, on behalf of said corporation.

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

SOUTHLAND ROYALTY COMPANY

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

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

SUN EXPLORATION AND PRODUCTION COMPANY

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

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

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

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Lisa R. Steele  
Lisa R. Steele, Notary Public in and for the State of Texas

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17 June 1986

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

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Lisa R. Steele  
Lisa R. Steele, Notary Public in and for the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_ of Sohio Petroleum Company a \_\_\_\_\_ corporation, on behalf of said corporation.

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

SOUTHLAND ROYALTY COMPANY

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

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

SUN EXPLORATION AND PRODUCTION COMPANY

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

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

THE STATE OF TEXAS       X  
COUNTY OF MIDLAND       X

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\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for  
the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF TEXAS       X  
COUNTY OF MIDLAND       X

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\_\_\_\_\_  
Lisa R. Steele, Notary Public in and for  
the State of Texas

My Commission Expires:

17 June 1986

THE STATE OF               X  
COUNTY OF                X

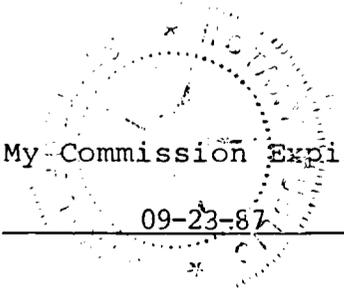
The foregoing instrument was acknowledged before me this 10th day of September, 1985, by Joseph A. Leese, Agent & Atty-in-Fact of Sohio Petroleum Company a Delaware corporation, on behalf of said corporation.

My Commission Expires:

09-23-87

*Margie H. Bryan*

Print Name: Margie H. Bryan  
Notary Public in and for the State of Texas  
MARGIE H. BRYAN, Notary Public  
In and for the State of Texas  
My Commission Expires Sept. 23, 1987



THE STATE OF TEXAS, X  
COUNTY OF MIDLAND. X

The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of August, 1985, by JOHN HANSEN, Attorney-in-Fact of Union Oil Company of California, a California corporation, on behalf of said corporation.

*Mavis Jones*

Print Name: Mavis Jones  
Notary Public in and for the State of Texas.

My Commission Expires:

11-30-88

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Hamilton Brothers Oil Company, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Southland Royalty Company, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

THE STATE OF X  
COUNTY OF X

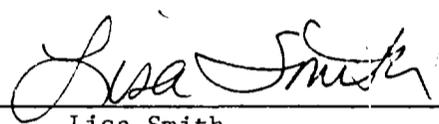
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Union Oil Company of California, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

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

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this 23rd day of September, 1985, by E. J. Wentworth, Vice President of Hamilton Brothers Oil Company, a Texas corporation, on behalf of said corporation.



Print Name: Lisa Smith  
Notary Public in and for the State of \_\_\_\_\_

My Commission Expires:

October 29, 1988

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Southland Royalty Company, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

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

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Union Oil Company of California, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

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

THE STATE OF X  
COUNTY OF X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1985, by \_\_\_\_\_, \_\_\_\_\_ of Hamilton Brothers Oil Company, a \_\_\_\_\_ corporation, on behalf of said corporation.

Print Name: \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_

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

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 29 day of August, 1985, by A. D. James, Attorney-in-Fact of Southland Royalty Company, a Delaware corporation, on behalf of said corporation.

Janet Cole  
Print Name: JANET COLE  
Notary Public in and for the State of TEXAS

My Commission Expires:  
7-12-86

THE STATE OF  
COUNTY OF

X  
X

The foregoing instrument was acknowledged before me this 26th day of September, 1985, by Wallace B. Langston Attorney-in-Fact of Sun Exploration and Production Company, a Delaware corporation, on behalf of said corporation.

Bettie Layfield

Print

Name:

Bettie Layfield  
Notary Public in and for the State of  
Texas

My Commission Expires:

3-7-1988

APPROVAL--CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under Section 17 (j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226 (j)), and delegated to the Deputy Manager of the Oil and Gas Mineral Management Service, I do hereby:

A. Approve the attached Communitization Agreement covering the S/2 of Section 18, T-26-S, R-31-E, NMPM, Eddy County, New Mexico, as to natural gas and liquid hydrocarbons producible from the Wolfcamp Formation.

B. Determine that the Federal lease or leases as the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands area located, and that consummation and approval of the agreement will be in the public interest.

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

\_\_\_\_\_  
Deputy Manager of the Oil and  
Gas Mineral Management Service

Approved:

\_\_\_\_\_  
Effective: \_\_\_\_\_

Contract No.: \_\_\_\_\_

EXHIBIT "A"

To Communitization Agreement dated 26 August 1985, between  
Earle M. Craig, Jr. Corporation, et al.

The following described Federal Oil and Gas Leases insofar only  
as they cover the Wolfcamp Formation lying under the indicated  
portions of the S/2 of Section 18, T-26-S, R-31-E NMPM,  
Eddy County, New Mexico, comprise the communitized lands:

Operator: Earle M. Craig, Jr. Corporation

Lease No. 1:

Serial No.:	NM-0438001
Date:	1 October 1963
Lessor:	The United States of America
Original Lessee:	Ralph S. O'Connor
Lessee of Record:	Union Oil Company of California
Lands to be Communitized:	SE/4 of Section 18
Acreage Communitized:	160 acres.
Royalties:	1/8 on oil and gas.
Lease Form:	4-1158 (August 1961) (Sec. 17 Non-competitive Public Domain Lease).
Pooling Authority:	None provided for in the lease; however, such authority can be found in 30 U.S.C §226 (j) (Supp. III, 1962); 43 C.F.R. §3121.3 (1965).
Additional Lease Burdens:	This Lease is subject to a 5% overriding royalty interest owned as follows:  John Herman O'Connor Trust 1.25%  George Rufus O'Connor Trust 1.25%  Thomas Ireland O'Connor, III, Trust 1.25%  Nancy Isabell O'Connor Trust 1.25%

Names and Percentages of Working Interest Owners:

Craig, Ltd.	65.625%
Union Oil Company of California	12.500
Sun Exploration and Production Company	6.250
Southland Royalty Company	3.125
Hamilton Brothers Oil Company	12.500
	<hr/>
	100.000%

Lease No. 2

Serial No.: NM-59060  
Dated: 1 August 1984  
Recorded: Unrecorded  
Lessor: The United States of America  
Original Lessee: Patsy A. Childress  
Lessee of Record: Sohio Petroleum Company  
Lands to be  
Communitized N/2 SW/4 and SE/4 SW/4 Section 18  
Acreage Communitized 119.94 acres  
Royalties: 1/8 on oil and gas.  
Lease Form: 3100-11 (March 1984)  
Pooling Authority: None provided for in the lease;  
however, such authority can be  
found in 30 U.S.C. §226 (j)  
(Supp. III, 1962); 43 C.F.R.  
§3121.3 (1965).  
Additional Lease  
Burdens: Lease is subject to 7.5% overriding  
royalty interest owned as follows:  
C. Craig Folson 1.25%  
Patsy A. Childress 6.25%

Names and Percentages of Working Interest Owners:

Craig, Ltd.	66.67%
Sohio Petroleum Company	<u>33.33</u>
	100.00%

Lease No. 3:

Serial No.: NM-60354  
Dated: 1 January 1985  
Recorded: Unrecorded.  
Lessor: The United States of America  
Original Lessee: Sohio Petroleum Company  
Lessee of Record: Sohio Petroleum Company  
Lands to be  
Communitized: Lot 4, Section 18  
Acreage Communitized: 39.91 acres  
Royalties: 3120-9 (February 1965/Schedule  
"B" - Competitive)  
Lease Form: 3120-7 (February 1977/Competitive)

Public Domain Lands)

Pooling Authority: None provided for in the lease; however, such authority can be found in 30 U.S.C. §226 (j) (Supp. III, 1962): 43 C.F.R. §3121.3 (1965)

Names and Percentages of Working Interest Owners:

Craig, Ltd.	66.67%
Sohio Petroleum Company	<u>33.33</u>
	100.00%

RECAPITULATION

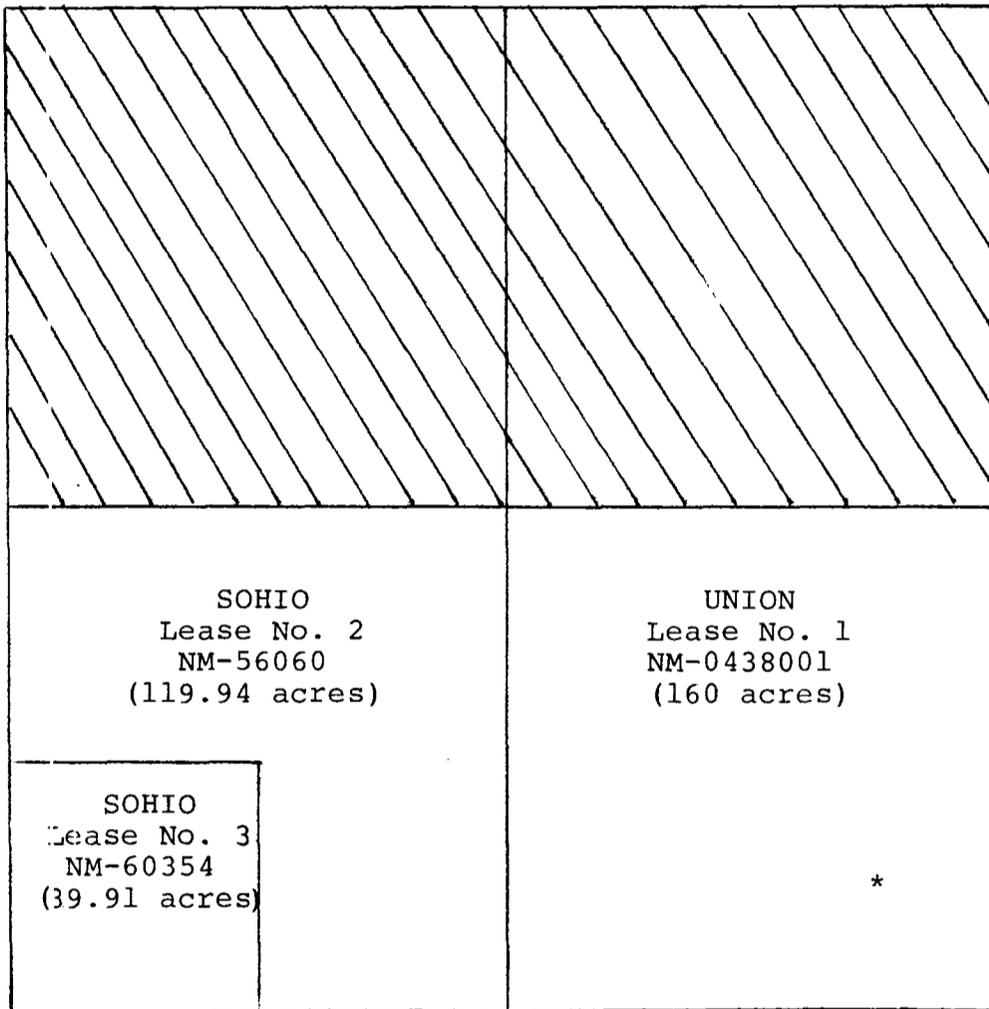
<u>Lease No.</u>	<u>Number of Acres Committed</u>	<u>Interest in Communitized Area</u>
1	160.00	50.02%
2	119.94	37.50%
3	<u>39.91</u>	<u>12.48%</u>
	319.85	100.00%

EXHIBIT "B"

To Communitization Agreement dated 26 August 1985, between Earle M. Craig, Jr. Corporation, et al, covering the S/2 Section 18, T-26-S, R-31-E, NMPM, Eddy County, New Mexico

PLAT OF COMMUNITIZED AREA

Covering the Wolfcamp Formation under the S/2 of Section 18, T-26-S, R-31-E, NMPM, Eddy County, New Mexico



\*

- Well Location - 660' FEL and 660' FSL  
Section 18



- Non-Communitized portion - N/2 Section 18