

County, New Mexico. *See Exhibit "G"*. Thus, TMBR/Sharp "filed" a "written unit designation" in "Lea County, New Mexico" evidencing its pooling of the Original Stokes Leases both before and after the drilling of the Well. Under New Mexico law, drilling on the pooled unit was equivalent to drilling on the Original Stokes Leases and, therefore, such leases are in full force and effect as of this date.

This case is very similar to *Owens v. Superior Oil Co. supra*. In that case, the question was whether drilling on a pooled unit within the grace period provided in the lease effectuated a valid extension of an oil and gas lease so long as production was maintained. *Owens*, 730 P.2d at 458. In *Owens*, the primary term of the lease expired on April 8, 1984. However, the lease provided a grace period of 60 days after the cessation of operations to begin "additional drilling". *Id.* On April 25, 1984, the operator ceased drilling a well it had begun during the primary term because it was a dry hole. *Id.* On April 28, 1984, the operator began drilling a second well and on May 9, 1984 filed its Unit Designation purporting to pool forty (40) acres of the lease (non drill-site land) with forty (40) acres on which the second well was located. Production was obtained on June 26, 1984. *Id.*

The controversy arose because Owens, Fedric and Peters obtained mineral or leasehold interests in the dispute acreage and demanded that the Operator, Superior, release the acreage. *Id.* Superior refused and suit resulted. The New Mexico Supreme Court held that Superior "saved" its lease because a continuous operations clause in an oil and gas lease keeps the entire lease in full force and effect if, within the grace period, drilling occurs on the leased land or any land with which it is pooled when pooling is permitted by the lease. *Id.* Specifically, the Court