

## STIPULATION OF INTEREST AND RATIFICATION OF JOINT OPERATING AGREEMENT

Whereas the oil and gas rights in the SE/4 of Section 36, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are committed to an A.A.P.L. Form 610-1982 Model Form Operating Agreement dated February 15, 1990 (herein "OA1") and the current owners of these rights and their percentages are identified in Exhibit A attached hereto.

Whereas the oil and gas rights in the SW/4 of Section 36, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are committed to an A.A.P.L. Form 610-1982 Model Form Operating Agreement dated July 17, 1986 (herein "OA2") and the current owners of these rights and their percentages are identified in Exhibit A attached hereto.

Whereas the parties to this agreement would like to drill and attempt to complete a horizontal well that will cross from the contract lands in OA2 in the SW/4 Sec. 36-T19SS-R24E into the contract lands of OA1 in the SE/4 Sec. 36-T19S-R24E and the well will be named the Dee 36SE State Com. #7H.

Whereas there is a need to conduct these operations and any future operations that require a spacing unit which will encompass the contract lands of OA1 and OA2 in accordance with one of the two aforementioned operating agreements.

Whereas the parties are subject to both operating agreements.

Whereas Yates Petroleum Corporation is the successor operator under both the operating agreements.

Now therefore, the parties to this agreement for the mutual considerations to all parties in the development of the oil and gas minerals in the S/2 of Section 36, Township 19 South, Range 24 East, stipulate and agree that:

1. The wellbore of the Dee 36SW State #2 well with a surface location of 940' FSL & 990' FWL in Sec. 36-T19S-R24E shall be utilized for drilling the horizontal well and the well renamed the Dee 36 SE Com #7H (herein "Well")
2. The ownership of the well bore shall be adjusted by in accordance with this Agreement by determining the salvage value of the well and equipment just prior to work commencing of the operations for the drilling of the horizontal well, crediting said interest back to the original owners and then charging out the wellbore to the Parties identified on Exhibit A for the same value. This methodology of adjusting ownership values may be used on any well or proposal that become subject to this Agreement.
3. All future operations of the Well will be conducted in accordance with the terms of OA1 in accordance with the Revised Working Interest identified herein on Exhibit A and to the extent necessary OA1 shall supersede and control over OA2.
4. All future proposals to drill, re-complete, or work-over a well that requires a spacing unit or project area as prescribed by the rules of the New Mexico Oil Conservation division that will require lands be dedicated from both the SE/4 and SW/4 of Sec. 36-T19S-R24E, the proposals and operations shall be conducted in accordance with the terms and conditions of this Agreement.
5. All future proposals to drill, re-complete, or work-over a well currently governed by OA1 or OA2 separately and that has not become subject to this Agreement shall be conducted in accordance with the respective operating agreement.
6. To the extent necessary, OA1 and OA2 are modified in accordance with this Agreement and shall be construed in accordance with this Agreement. In the event of conflict between OA1, OA2 and this Agreement, this Agreement shall control.
7. This Agreement shall inure to and be binding on all parties that executed this agreement and their successors, assignees and heirs.
8. This Agreement constitutes the entire understanding between the parties with regard to the subject matter hereof, superseding all prior statements, representations, discussions, agreements and understandings.



STATE OF TEXAS )  
 ) ss.  
COUNTY OF HAYS )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Cathie Cone McCown, as Trustee of Auvenshine's Children's Testamentary Trust, for said Trust.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF OKLAHOMA )  
 ) ss.  
COUNTY OF TULSA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by \_\_\_\_\_ as \_\_\_\_\_ of Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone, for said Trust.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF ALASKA )  
 ) ss.  
BOROUGH OF ANCHORAGE )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Randy Lee Cone, dealing in his sole and separate property.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF MCDONALD )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Tom R. Cone, dealing in his sole and separate property.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Kenneth G. Cone, dealing in his sole and separate property.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010, by Kenneth G. Cone, Trustee of the Trusts Created under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone, as Trustee for said Trusts.

My commission expires: \_\_\_\_\_  
Notary Public

## Exhibit A

Attached to and made a part of that Stipulation of Interest and Ratification of Joint Operating Agreement dated Effective November 1, 2010, between Yates Petroleum Corporation as successor Operator and Cathie Cone McCown, et. al. as Non-operators.

**(1) IDENTIFICATION OF LANDS SUBJECT TO AGREEMENT:**

Township 19 South, Range 24 East, N.M.P.M  
 Section 36: S/2  
 Eddy County, New Mexico  
 Containing 320 acres, more or less.

**(2) RESTRICTIONS AS TO DEPTHS AND FORMATIONS:**

Surface to the base of the stratigraphic equivalent of the Cisco formation.

**(3) PERCENTAGES OF PARTIES TO THIS AGREEMENT:**

Name	OA1 Working Interest SE/4	OA2 Working Interest SW/4	REVISED WORKING INTEREST
Yates Petroleum Corporation	90.3750%	89.1250%	89.7500%
Cathie Cone McCown	1.8750%	1.8750%	1.8750%
Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	1.1250%	1.1250%	1.1250%
Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.7500%	0.7500%	0.7500%
Randy Lee Cone	0.3750%	0.3750%	0.3750%
Tom R. Cone	1.2500%	2.500%	1.8750%
Kenneth G. Cone	3.12500%	3.1250%	3.1250%
Kenneth G. Cone, Trustee of the Trusts Created Under The Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone	1.12500%	1.1250%	1.1250%
Total	100.00%	100.00%	100.00%

**(4) OIL AND GAS LEASES AND/OR INTEREST SUBJECT TO THIS AGREEMENT:**

- (A) Lease No.: E-2781  
 Lessor: State of New Mexico  
 Original Lessee: B. R. Gorman  
 Date: 7/11/49  
 Status: HBP  
 Legal: Township 19 South - Range 24 East, N.M.P.M.  
Sec. 36: E/2SE, NESW  
 Eddy County, New Mexico  
 120.00 acres  
 Royalty Interest 1/8<sup>th</sup>
- (B) Lease No.: K-6385  
 Lessor: State of New Mexico  
 Original Lessee: Yates Petroleum Corporation  
 Date: 9/20/1966  
 Status: HBP  
 Legal: Township 19 South - Range 24 East, N.M.P.M.  
Sec. 36: NWSE  
 Eddy County, New Mexico  
 40.00acres  
 Royalty Interest: 1/8<sup>th</sup>
- (C) Lease No.: LG-1525  
 Lessor: State of New Mexico  
 Original Lessee: Yates Petroleum Corporation  
 Date: 2/1/1974  
 Status: HBP  
 Legal: Township 19 South - Range 24 East, N.M.P.M.

## Exhibit A

Attached to and made a part of that Stipulation of Interest and Ratification of Joint Operating Agreement dated Effective November 1, 2010, between Yates Petroleum Corporation as successor Operator and Cathie Cone McCown, et. al. as Non-operators.

Sec. 36: NESW, S/2SW, SWSE  
Eddy County, New Mexico  
160.00acres

Royalty Interest: 1/8<sup>th</sup>

### **(5) ADDRESS OF PARTIES FOR NOTICE PURPOSES:**

Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, NM 88210  
Phone: 575-748-1471  
Fax: 575-748-4572

Cathie Cone McCown  
P. O. Box 685  
Dripping Spring, TX 78620-0658  
Phone: 512-858-1641  
Fax: \_\_\_\_\_

Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee  
P. O. Box 507  
Dripping Spring, TX 78620-0507  
Phone: 512-858-1641  
Fax: \_\_\_\_\_

Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone  
P. O. Box 1588  
Tulsa, OK 74101-1588  
Phone: 918-588-6229  
Fax: \_\_\_\_\_

Randy Lee Cone  
P. O. Box 231034  
Anchorage, AK 99523  
Phone: 907-770-2664  
Fax: \_\_\_\_\_

Tom R. Cone  
P. O. Box 400  
Southwest City, MO 64863  
Phone: 918-854-3170  
Fax: \_\_\_\_\_

Kenneth G. Cone  
P. O. Box 11310  
Midland, TX 79702  
Phone: 432-687-4593  
Fax: \_\_\_\_\_

Kenneth G. Cone, Trustee of the Trusts Created Under The Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone  
P. O. Box 11310  
Midland, TX 79702  
Phone: 432-687-4593  
Fax: \_\_\_\_\_