

FIFTH JUDICIAL DISTRICT COURT
STATE OF NEW MEXICO
COUNTY OF LEA

FILED
JAN 17 2017
COUNTY CLERK

TMBR/SHARP DRILLING, INC.,

Plaintiff,

v.

No. CV- 2017-3118

DAVID H. ARRINGTON OIL & GAS,
INC., JAMES D. HUFF, MADELINE
STOKES, ERMA STOKES HAMILTON,
JOHN DAVID STOKES, and TOM STOKES,

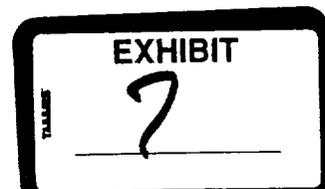
Defendants.

**PLAINTIFF'S COMPLAINT FOR DECLARATORY JUDGMENT,
TORTIOUS INTERFERENCE, REPUDIATION, DAMAGES,
AND INJUNCTIVE RELIEF**

TMBR/SHARP DRILLING, INC. ("TMBR/Sharp"), Plaintiff, for cause of action against DAVID H. ARRINGTON OIL & GAS, INC., JAMES D. HUFF, MADELINE STOKES, AND ERMA STOKES HAMILTON would show the Court as follows:

THE PARTIES

1. Plaintiff is TMBR/Sharp Drilling, Inc. ("TMBR/Sharp") which is a Texas corporation doing business in the State of New Mexico and with offices in Midland, Texas.
2. Defendant David H. Arrington Oil & Gas, Inc. ("Arrington O&G") is a Texas corporation doing business in New Mexico and is a resident of Midland, Texas. It may be served Certified Mail, Return Receipt Requested, through its registered agent, Lewis Cox, III, at 311 North First Street, Lovington, New Mexico, 88260.



3. James D. Huff (“Huff”) is an individual doing business in New Mexico and is a resident of Mineola, Texas. He may be served by Certified Mail, Return Receipt Requested, at P. O. Box 705, Mineola, Texas 75773.
4. Defendant Madeline Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by Certified Mail, Return Receipt Requested, at Box 1115, Ozona, Texas 76943.
5. Defendant Erma Stokes Hamilton is an individual owning real property in New Mexico and residing in Big Spring, Texas and may be served by Certified Mail, Return Receipt Requested, at 408 W. Washington, Big Spring, Texas 79720.
6. Defendant John David Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by Certified Mail, Return Receipt Requested, at P. O. Box 1739, Ozona, Texas 76943.
7. Defendant Tom Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by Certified Mail, Return Receipt Requested, at Box 932, Ozona, Texas 76943.

VENUE AND JURISDICTION

8. Pursuant to New Mexico Statute 38-3-1(D), venue is mandatory in Lea County, New Mexico because the real property, ownership of which is at issue, is located there.
9. This Court has jurisdiction over the parties and the subject matter of this action.

FACTUAL BACKGROUND

ORIGINAL LEASES

10. Effective July 1, 1998, TMBR/Sharp entered into an operating agreement (“Operating Agreement”) covering oil and gas properties in Lea County, New Mexico.
11. Exhibit “A” to the Operating Agreement described lands covered by the agreement including Section 24, T-16-S, R-35-E, in Lea County, New Mexico, and more specifically described two oil and gas leases, each of which cover, among other lands, the NW/4 SW/4 and NW/4 NE/4 of said Section 24.

THE LEASES

12. The first lease (“First Lease”) is an oil and gas lease made effective December 7, 1997 between Madeline Stokes and Ameristate Oil & Gas, Inc. (“Ameristate”).
13. The First Lease is recorded in Book 827, page 128 of the Deed Records of Lea County, New Mexico, as amended by instrument dated August 10, 2000.
14. The second lease (“Second Lease”) is a lease made effective December 7, 1997 between Erma Stokes Hamilton and Ameristate. It is filed in Book 827, page 124 of the Deed Records of Lea County, New Mexico as amended by instrument dated August 14, 2000.
15. By Quitclaim Deed with Reservation of Life Estate and executory rights, Emma Stokes Hamilton granted John David Stokes and Tom Stokes her remaining interest in the Second Lease.

16. These two leases, as amended, are herein referred to as the "Original Stokes Leases" or the "First Lease" and "Second Lease," and copies thereof are attached hereto as Exhibits "A" and "B"
17. TMBR/Sharp is a successor in interest to Ameristate by assignment of the First Lease and Second Lease.

THE POOLED UNIT

18. On November 17, 2000, TMBR/Sharp Drilling as operator under the Operating Agreement, filed an application for permit to drill (Form C-101) with the Oil Conservation Division ("OCD") of the State of New Mexico, a copy of which is attached as Exhibit "C."
19. On the same date TMBR/Sharp filed a well location and acreage dedication plat describing the pooled unit dedicated to the proposed well, the Blue Fin "24" No. 1 Well (Form C-102) with the OCD and outlined thereon the 320 pooled acres in Township 16 South, Range 35 East, NMPM, Section 24: W/2, Lea County, New Mexico. A copy of this instrument is attached as Exhibit "D."
20. The permit to drill was approved by the OCD on November 22, 2000.
21. The Blue Fin "24" No. 1 Well was spudded in March 29, 2001 and a drill stem test was run on May 15, 2001.
22. On June 3, 2001 casing was placed in the hole.
23. On June 28, 2001 the well was perforated and on June 29, 2001 hydrocarbons were produced from the well.

24. The well, which is capable of producing hydrocarbons in paying quantities, is presently waiting for a pipeline connection.
25. The Original Stokes Leases each provides in Paragraph 5 in pertinent part: “Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas Lessee shall file a written unit designation in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production *from any part of any such unit* shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease.” (emphasis added).
26. A portion of the lands covered by each of the Original Stokes Leases, namely the NW/4 SW/4 of Section 24, was included in the unit designation filed in Lea County, New Mexico with the OCD of the State of New Mexico during the primary term of such leases. Therefore, during the primary term, there was a well being drilled on a pooled unit which included Original Stokes Lease Acreage. Those activities were sufficient to preserve the leases beyond the primary terms. The First and Second Leases and all acreage described therein are now held by the Blue Fin “24” No. 1 Well, subject to continuous development by TMBR/Sharp as described below.

TOP LEASES

27. On or about March 27, 2001, Huff acquired an oil and gas lease from Defendant Madeline Stokes covering the same lands and minerals covered by the Original Stokes Leases. This lease is herein referred to as the "Stokes Top Lease."
28. The Stokes Top Lease purports to be for a primary term of three (3) years from June 7, 2001, and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
29. On the same date, Huff acquired an oil and gas lease from Defendant Erma Stokes Hamilton also covering the same lands described in the Original Stokes Leases. This lease is herein referred to as the "Hamilton Top Lease."
30. The Hamilton Top Lease is for the same primary term as the Stokes Top Lease. The Stokes Top Lease and Hamilton Top Lease are herein collectively referred to as the "Huff Top Leases," and copies thereof are attached hereto as Exhibits "E" and "F."
31. The Huff Top Leases each provide in pertinent part: "This oil and gas lease is subordinate to that certain 'Prior Lease' [Original Stokes Leases] recorded in... Lea County Records, as amended by instrument dated ... recorded ... Lea County Records, but only to the extent that said prior lease is currently a valid and subsisting oil and gas lease."
32. On or about July 12, 2001 Michael J. Canon, an attorney in Midland, Texas contacted Randy V. Watts an independent landman working for TMBR/Sharp and Ameristate and other parties to the Operating Agreement.

33. Mr. Canon advised Mr. Watts that his clients – the Stokes Family – questioned the continued validity of the Original Stokes Leases, in that no pooling designation had been filed in the County Clerk’s office of Lea County prior to the expiration of the primary term of the Original Stokes Leases.
34. Mr. Phil Brewer, an attorney for TMBR/Sharp and other parties to the Operating Agreement, responded to Mr. Canon’s inquiry by letter advising of TMBR/Sharp’s position that the Original Stokes Leases were in full force and effect.
35. Mr. Canon replied to Mr. Brewer’s letter in writing indicating that the “Stokes Family had questions with respect to whether or not the lease [Original Stokes Leases] is in effect and whether Ameristate has taken the necessary and appropriate action to perpetuate its lease beyond the expiration of its primary term, June 17[sic], 2001.”
36. On information and belief, Huff has taken the position that the Original Stokes Leases have expired and that the Huff Top Leases are in effect.
37. On July 19, 2001 Arrington O&G filed an application for and obtained a permit to drill the Triple Hackle Dragon 25 No. 1. Well on the W/2 of Section 25, T-16-S, R-35-E, Lea County, New Mexico. The OCD approved the application on July 19, 2001.
38. The unit designated by Arrington O&G for this permit covered lands described in the Original Stokes Leases and the Huff Top Leases.
39. On information and belief, Arrington O&G obtained this permit to drill on the basis of ownership rights claimed to be held pursuant to the Huff Top Leases.

40. On July 30, 2001, Arrington O&G filed an application for and obtained a permit to drill the Blue Drake 23 No. 1. Well on the E/2 Section 23, T-16-S, R-35-E, Lea County, New Mexico. The OCD approved the application
41. The unit designated by Arrington O&G for this permit covered lands described in the Original Stokes Leases and the Huff Top Leases.
42. On information and belief, Arrington O&G obtained this permit to drill on the basis of ownership rights claimed to be held pursuant to the Huff Top Leases.
43. David H. Arrington ("Arrington"), President of Arrington O&G, made statements to a TMBR/Sharp representative that the leases held by TMBR/Sharp had terminated and his company intended to move forward with development.
44. On August 8, 2001, TMBR/Sharp was denied a permit to drill the Blue Fin "25" No. 1 Well on the E/2 of Section 25, by letter from Chris Williams, District I Supervisor for the Oil Conservation Division of the State of New Mexico, stating that the permit granted to Arrington O&G precluded the permit applied for by TMBR/Sharp.
45. On August 8, 2001, TMBR/Sharp was denied a permit to drill the Leavelle "23" No. 1 Well on the E/2 of Section 23, also on the basis of a letter from Chris Williams with like statement that the permit granted Arrington O&G precluded the granting of the permit sought by TMBR/Sharp.
46. The Original Stokes Leases are in full force and effect. However, each of these leases contains a "continuous development clause." Specifically, in Paragraph 12 of Exhibit A of each such lease provides in pertinent part: "Should Lessee fail to timely commence a well

in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit.”

47. TMBR/Sharp attempted to drill two additional wells in accordance with the provisions of Paragraph 12 of the Original Stokes Lease, but was denied drilling permits by the OCD on its leasehold property because those lands are claimed to be subject to the Huff Top Leases.
48. The drilling applications filed by Arrington O&G have prevented TMBR/Sharp from exercising its rights and fulfilling its obligations under the Original Stokes Leases.

COUNT I
DECLARATORY JUDGMENT: ORIGINAL STOKES LEASES
ARE PROPERLY POOLED

49. TMBR/Sharp incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
50. TMBR/Sharp is an interested party under a written contract whose rights, status or other legal relations should be determined by the Court pursuant to the New Mexico Declaratory Judgment Act 44-6-1 through 44-6-15.
51. TMBR/Sharp seeks a declaratory judgment from the Court that the Original Stokes Leases are in full force and effect because TMBR/Sharp was drilling upon lands properly pooled with the lands covered by the Original Stokes Leases across the expiration of the primary term as provided for in Paragraph 5 of the lease.
52. Specifically, TMBR/Sharp seeks a declaratory judgment that its written unit designation filed in Lea County with the Oil Conservation Division of the State of New Mexico on

November 17, 2000 satisfied the obligations of Paragraph 5 of the Original Stokes Leases to properly pool the NW/4 SW/4 of Section 25, T-16-S, R-35-E, into a unit comprised of the W/2 of said Section 25.

COUNT II
DECLARATORY JUDGMENT: HUFF TOP LEASES NOT EFFECTIVE

53. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
54. TMBR/Sharp seeks a declaratory judgment from the Court that the Huff Top Leases are not effective because the Original Stokes Leases are currently valid and subsisting oil and gas leases covering the lands described therein and superior in all respects to the Huff Top Leases.

COUNT III
TORTIOUS INTERFERENCE

55. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
56. Arrington, Arrington O&G's and Huff's solicitation and acceptance of the Huff Top Leases, constitute deliberate and malicious tortious interference with the contractual relationships between TMBR/Sharp on the one hand and each of Madeline Stokes and Erma Stokes Hamilton on the other.

57. Huff's knowledge of the Original Stokes Lease is undisputed and clearly evidenced by the fact that Huff took a top lease that would not be viable until the expiration of the Original Stokes Leases.
58. TMBR/Sharp has been denied its right to perform continued drilling operations on the Original Stokes Leases.
59. Huff, Arrington and/or Arrington O&G have asserted that the Original Stokes Leases expired, that the Huff Top Leases were valid and subsisting oil and gas leases, and requested and received permits from the OCD to drill wells on lands and minerals covered by the Original Stokes Leases.
60. Arrington O&G obtained drilling permits, told TMBR/Sharp employees that the Original Stokes Leases were expired, and performed operations on the lands covered by the Huff Top Leases.
61. Huff, Arrington and Arrington O&G further knew and understood that TMBR/Sharp could not utilize its contractual rights if it could not obtain permits from the Oil Conservation Division of the State of New Mexico to drill on acreage covered by the Original Stokes Leases.
62. Huff's, Arrington's and Arrington O&G's willfully and intentionally committed acts calculated to cause damage to TMBR/Sharp and its lawful business and ownership of the property pursuant to the Original Stokes Leases.
63. Huff's, Arrington's and Arrington O&G's acts were the proximate cause of damage to TMBR/Sharp in that TMBR/Sharp lost the opportunity or lost time in which to drill wells

on the pre-selected sites, and deprived TMBR/Sharp of the benefit of the Original Stokes Leases.

64. TMBR/Sharp has suffered actual damage and loss by virtue of Huff's, Arrington's and Arrington O&G's conduct by losing drilling opportunities in that drilling rigs are now reasonably available and gas prices remain high. If drilling is delayed, either rigs may become unavailable or gas prices may drop. Further, TMBR/Sharp has been damages by its loss of future production from the two wells it intended to drill but was denied permits for.

COUNT IV
TMBR/SHARP'S DUTY TO DRILL SHALL BE SUSPENDED

65. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
66. Paragraph 9 of each of the Original Stokes Leases provides in pertinent part: "Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material or by operation of force majeure, or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and that time while Lessee is

so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.”

67. The conduct of Arrington O&G, acting on behalf of or in concert with Huff, in applying for and receiving permits to drill from the Oil Conservation Division on lands and minerals covered by the Original Stokes Leases, has caused the Oil Conservation Division to withhold the applied for drilling permits for the Blue Fin “25” No. 1 Well and the Leavelle “23” No. 1 Well, thereby resulting in circumstances which have triggered Paragraph 9 of the Original Stokes Leases.
68. Pursuant to the terms of Paragraph 9 of the Original Stokes Leases TMBR/Sharp seeks a declaratory judgment that its duty “shall be suspended” and it “shall not be liable for failure to comply therewith [the lease] and the leases “shall be extended while and so long as lessee is prevented from conducting drilling or reworking operations or from producing oil or gas hereunder,” as a result of it being unable to obtain OCD permits for the drilling of the referenced wells.

COUNT V
EQUITABLE CLAIM: LEASE REPUDIATION

69. Plaintiff TMBR/Sharp incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
70. Madeline Stokes and Erma Stokes Hamilton have, acting through their attorney, Michael J. Canon, wrongfully repudiated the Original Stokes Leases by asserting that the actions of the Lessee/Plaintiff are not sufficient, pursuant to the Original Stokes Leases, to perpetuate such leases beyond the specified primary term.
71. Further, their assertions that the Huff Top Leases are valid and subsisting oil and gas leases and permitting Huff and Arrington to obtain the interfering permits, precluding the exercise by TMBR/Sharp of its rights pursuant to the Original Stokes Leases, constitute a clear and unequivocal challenge to TMBR/Sharp's title to the Original Stokes Leases.
72. For such time as TMBR/Sharp is precluded from obtaining permits and pursuing its rights pursuant to the Original Stokes Leases, TMBR/Sharp requests this court exercise its equitable powers and suspend the running of any time period for performance by TMBR/Sharp pursuant to the Original Stokes Leases.

PRAYER FOR RELIEF

69. WHEREFORE, PREMISES CONSIDERED, Plaintiff TMBR/Sharp, Inc. respectfully requests the Court enter judgment awarding TMBR/Sharp the following relief:

- a. All direct and consequential damages of Defendants' breaches of their duties as described herein;
- b. An award of damages for Arrington's and Huff's tortious interference;
- c. A declaration that TMBR/Sharp's written unit designation filed in Lea County with the Oil Conservation Division of the State of New Mexico on November 17, 2000, satisfied the obligations of Paragraph 5 of the Original Stokes Leases to properly pool the N/4 SW/4 of Section 25, T-16-S, R-35-E, into a unit comprised of the W/2 of said Section 25;
- d. A declaration that the Huff Top Leases are not effective because the Original Stokes Leases are currently valid and subsisting oil and gas leases covering the lands described in this Complaint;
- e. A finding that Madeline Stokes and Erma Stokes have repudiated the Original Stokes Leases;
- f. Equitable relief relieving TMBR/Sharp from any obligation to conduct further drilling operations required under the Original Stokes Leases pending a judicial resolution as to the validity of the Original Stokes Leases;
- g. A temporary restraining order and injunctive relief ordering Arrington O&G and/or Huff refrain from drilling any wells on and acreage covered by the Original Stokes Leases;
- h. Awarding TMBR/Sharp costs, reasonable attorney's fees and pre-judgment and post-judgment interest at the highest lawful statutory or contractual rate; and

- i. Awarding TMBR/Sharp such other and further relief at law or in equity to which it may be justly entitled.

Respectfully submitted,

COTTON, BLEDSOE, TIGHE & DAWSON, P.C.
500 West Illinois, Suite 300
P.O. Box 2776
Midland, Texas 79702-2776
(915) 684-5782
(915) 682-3672 - Fax

By:


SUSAN R. RICHARDSON
RICHARD R. MONTGOMERY
ROBERT T. SULLIVAN

and

PHIL BREWER
P. O. Box 298
Roswell, NM 88202-0298
(505) 625-0298

ATTORNEYS FOR PLAINTIFF

EXHIBIT A

OIL & GAS LEASE

ILLEGIBLE

THIS AGREEMENT made this August 25, 1997, but effective December 7, 1997, between Madeline Stokes, dealing in her sole and separate property, whose address is P.O. Box 1115, Ozona, Texas 76943, herein called Lessor (whether one or more) and Lessee: AMERISTATE OIL & GAS, INC., 1211 WEST TEXAS STREET, MIDLAND, TEXAS 79701.

Lessor in consideration of TEN AND 00/100ths DOLLARS cash in hand paid, receipt and sufficiency of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and reworking and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, starting up, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, promote, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

Tract 16 South, Range 35 East, N100M
Section 13: SE 1/4
Section 23: SE 1/4
Section 24: NW 1/4 SW 1/4, NW 1/4 NE 1/4
Section 25: NW 1/4
Section 26: NE 1/4

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Said land is estimated to comprise 720.000 acres, whether a actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from December 7, 1997, (called "primary term"), and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. There shall be paid by Lessee to Lessor: (a) in oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the order of Lessor in the pipeline in which the wells may be completed; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used for the production or use in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used, provided that no gas sold on or off the premises, the royalties shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas well or condensate well on said land, or to be produced therefrom, but gas or condensate is not being or sold or used and such well is shut-in, either before or after production therefrom, then on or before the date said well is shut-in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas savings then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to portion or amount, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made. Lessor shall accept such sums within 90 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with valid written explanations (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the net amount realized by the gas sales contract entered into in good faith by Lessee and gas purchaser for each term and under such conditions as are customary in the industry. "Price" shall mean the net amount realized by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such orders or regulatory orders.

4. This is a pooling lease and Lessee shall not be prohibited during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term, however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee hereby grants the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, mineral interest or parts thereof for the production of oil or gas. This pooling instrument shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file a written unit development plan in the county in which the premises are located and such units may be designated from time to time and after notice or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the county where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall continue in force as long as operations are prosecuted with no cessation of more than 180 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking within 180 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to drain and remove all casing. When required by Lessee, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn upon said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for space and inside lights in the premises dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of other parties hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished, shall operate to enlarge the obligations or duties of the Lessee, and no such change or division shall be binding upon Lessee for any purpose until 90 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof establishing the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender any royalty or shut-in royalty in the name of the deceased or to his estate or to his heirs, executor or administrator and such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, in the event of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the appropriate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any terms or implied covenants of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of a curtesy or inability to obtain or use equipment or material, or by operation of force majeure, or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same without impairment of lessor's right to make the warranty. If this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether or lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessor, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, executors, and assigns by delivering or making a release thereof to the lessee, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced to the proportion that the acreage covered hereby is reduced by said release or releases.

Madeline Stokes
Madeline Stokes

STATE OF TEXAS)
COUNTY OF Crockett) ss.

This instrument was acknowledged before me on the 4th day of September, 1997, by Madeline Stokes, dealing in her sole and separate property.

Sarah Stewart Sarah Stewart
Notary Public

My commission expires: 03-28-01



Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Madeline Stokes, lessor, and Ameristate Oil & Gas, Inc., lessee:

12. Notwithstanding anything contained hereinabove to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby not included in or otherwise allocated to a "well unit" as hereinafter defined, unless lessee is producing oil, gas or other hydrocarbons from any well on the leased premises, or lands pooled therewith, or is drilling upon said lands across the expiration of the primary term as provided for in the body of this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities as in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying more than 100' below the total depth drilled.

13. Payment of shut-in gas well royalties will not be permitted to maintain this lease in force for any period longer than two consecutive years, without the written consent of Lessor.

Signed for identification purposes:

Madeline Stokes
Madeline Stokes

14263



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

OCT 1 1997
at 11:19 o'clock AM
and recorded in Book 827
Page 129
Pat Chapman, Lea County Clerk
By [Signature] Deputy

EXHIBIT B

THIS AGREEMENT made this August 25, 1997, but effective December 7, 1997, between Erma Stokes Hamilton, dealing in her sole and separate property, whose address is P.O. Box 1470, Big Spring, Texas 79721, herein called lessor (whether one or more) and lessee: AMERISTATE OIL & GAS, INC., 1211 WEST TEXAS STREET, MIDLAND, TEXAS 79701.

1. Lessor, in consideration of TEN AND 00/100ths DOLLARS cash in hand paid, receipt and sufficiency of which is hereby acknowledged, and of the royalties herein provided and the agreement of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air less substances there, laying pipe lines, setting oil, building tanks, roads, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals in the following described land in Lea County, New Mexico, to-wit:

Township 16 South, Range 35 East, N10PM
 Section 13: SE 1/4
 Section 23: SE 1/4
 Section 24: NW 1/4 SW 1/4, NW 1/4 NE 1/4
 Section 25: NW 1/4
 Section 26: NE 1/4

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Said land is estimated to comprise 720.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from December 7, 1997, (called "primary term"), and in so long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipelines to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used, provided that on gas sold on or off the premises, the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas meter installed well on said land, or level passed thereon, but gas or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom, then on or before 180 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender as advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all circumstances that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which it makes in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 90 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with a copy written instrument (or certified copies thereof) as so necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders.

4. This is a royalty lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or portion thereof with any other land, lease, mineral estate or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and after or before the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit the portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or well operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the county where the land is situated at any time after the completion of a dry hole or the cessation of production on said land.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 180 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 180 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have the use of all, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to drive and remove all casing. When required by lessor, lessee will bury all pipe lines on cased lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for steam and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee, and no such change or division shall be binding upon lessee for any purpose until 90 days after lessee has been furnished by certified mail at lessor's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalty or shut-in royalty in the name of the decedent or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such same. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which lessee or any assignee thereof shall properly occupy or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of expropriation or inability to obtain or use equipment or material, or by operation of force majeure, or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

EXHIBIT "A"

ILLEGIBLE

Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Erma Stokes Hamilton, lessor, and Ameristate Oil & Gas, Inc., lessee:

12. Notwithstanding anything contained hereinabove to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby not included in or otherwise allocated to a "well unit" as hereinafter defined, unless lessee is producing oil, gas or other hydrocarbons from any well on the leased premises, or lands pooled therewith, or is drilling upon said lands across the expiration of the primary term as provided for in the body of this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities as in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying more than 100' below the total depth drilled.

13. Payment of shut-in gas well royalties will not be permitted to maintain this lease in force for any period longer than two consecutive years, without the written consent of Lessor.

Signed for identification purposes:

Erma Stokes Hamilton
Erma Stokes Hamilton



14262

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

OCT 1 1997
of 11:13 et cetera A M
and recorded in Book 827
Page 724
For Chapter, Lea County Clerk
BY [Signature] Deputy

EXHIBIT C

District I
 PO Box 1960, Hobbs, NM 88241-1980
 District II
 6.1 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-101
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

* Operator Name and Address: TMBR/Sharp Drilling, Inc. P. O. Drawer 10970 Midland, TX 79702		* OGRID Number 036554
* Property Code 24469		* Property Name Blue Fla #24
		* Well No. 1

Surface Location

UT. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
M	24	16S	35E		660	West	760	South	Lot

Proposed Bottom Hole Location if Different From Surface

UT. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
* Proposed Pool 1					* Proposed Pool 2				
Townsend (Morrow)									

* Work Type Code N	* Well Type Code G	* Cable/Entry R	* Lease Type Code P	* Ground Level Elevation -3956-3964
* Multiple No No	* Proposed Depth 12,800'	* Formation Morrow	* Contractor TMBR/Sharp	* Spud Date 11/19/90

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48	450	440	Surface
11"	8 1/2"	32	5,000	1,800	Surface
7 1/2"	5 1/2"	17	12,800	1,200	4,800

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

It is proposed to drill a 17 1/2" hole to ±450' with FW, set 13 3/8" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 8 1/2" casing string will be set and cemented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hole. A 7 1/2" hole will be drilled to an approximate TD of 12,800' w/FW mud. The 5 1/2" casing will be set at TD and cemented back to the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the 7 1/2" hole. Mud up will occur between 9,000' and 11,000' and several DST's are planned.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *J. D. Phillips*
 Printed Name: Jeffrey D. Phillips
 Title: Vice President
 Date: November 16, 2000
 Phone: (515) 699-0060

OIL CONSERVATION DIVISION	
Approved by:	ORIGINAL SIGNED BY GARY WUNK
Title:	FIELD REP. II
Approval Date:	NOV 22 2000
Expiration Date:	
Conditions of Approval:	Attached <input type="checkbox"/>

Permit Expires 1 Year From Approval Date Unless Drilling Underway

MS

MP

EXHIBIT D

EXHIBIT E

ILLEGIBLE

or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 90 days after Lessee has been furnished by certified mail or Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessee. If any such change in ownership comes through the death of the owner, Lessee may, at its option, pay or tender any royalty or shut-in royalties in the name of the deceased or to his estate or to his heir, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of statutory or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee shall not be liable for failure to comply therewith; and this lease shall be continued while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessee or its option or discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfaction same. Without impairment of Lessee's rights under the warranty, if this lease covers a lease interest in the oil and gas in all or any part of said land then the entire and undivided fee simple estate (whether Lessee's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessee fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessee or his heirs, successors, and assigns by delivering or mailing a release thereof to the Lessee, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

ADDITIONAL PROVISIONS

12. Notwithstanding anything contained herein to the contrary, at the end of the primary term, this lease will terminate as to all said lands not then included in or directed to a spacing or proration well situated to a producing well (which shall include shut-in wells) unless:

a) Lessee has drilled, deepened, reworked or recompleted a well on said lands above described or on lands pooled therewith and within one hundred eighty (180) days prior to the expiration of the primary term, completed said well as a producer of oil and/or gas, or plugged said well as a dry hole; or

b) At the expiration of the primary term, Lessee is engaged in drilling, deepening, reworking or recompleting operations on said lands or on lands pooled therewith;

and provided Lessee commences a continuous drilling program whereby operations for the drilling of a new well, or the deepening, reworking or recompletion of an existing well, are commenced within one hundred eighty (180) days after the later of (a) the expiration of the primary term, or (b) the completion or plugging of any well drilled, deepened, reworked or recompleted above or subsequent to the expiration of the primary term. For the purposes hereof, "commenced" shall be the date of the filing of the proposed test report with the appropriate governmental authority having jurisdiction, if a producer, or, if a well is plugged as a dry hole, the "plugging" shall be the date of the plug/plugging report with the appropriate governmental authority having jurisdiction.

13. This lease shall terminate as to all acreage then included in a spacing or proration well situated to a producing well (which shall include shut-in wells) unless a spacing well situated to a producing well (which shall include shut-in wells) is drilled and completed by the appropriate governmental authority having jurisdiction, a Certificate of Production, or, in the absence of a spacing well situated to a producing well, then such gas well (which shall include shut-in wells) shall be drilled and completed 300 days or less after the expiration of 180 days for a spacing or proration well, and such oil well (which shall include shut-in wells) shall be drilled and completed 300 days or less after the expiration of 180 days for a spacing or proration well. Such each spacing or proration well shall be as early as practicable in the days of a spacing or reworking commencing such well.

14. Notwithstanding such termination, Lessee shall have a continuing right of way and easement on, over and across all the land covered hereby for the construction, use, maintenance, replacement, or removal of pipelines, roads, telephone lines, electric lines, tank and other facilities for its operations hereunder on land remaining covered by this lease following such termination.

15. This oil and gas lease is subordinate to that certain "Prior Lease" dated August 28, 1967, effective December 7, 1967, recorded in Book 217, page 127, Los County Records, or amended by instrument dated _____, 2000, recorded in Book _____, page _____, Los County Records, but only to the extent that said Prior Lease is currently a valid and subsisting oil and gas lease. Notwithstanding any other provisions of this oil and gas lease, the end of the primary term hereof shall be extended until the third (3rd) anniversary date of this oil and gas lease next following expiration of the continuous development provision contained in said Paragraph No. 12 in which "or" occurred in the Prior Lease, provided that in no event shall the primary term hereof expire later than the 30th anniversary date of this oil and gas lease. Termination of this oil and gas lease by Lessee shall never be construed as a satisfaction or revival of the Prior Lease. Lessee specifically agrees not to enter into any agreement of any form that would attempt to continue the primary term or the continuous development provision of the Prior Lease, or modify any of the existing provisions of the Prior Lease.

Executed this day and year first above written.

Madeline Stuber 202-701-1021
Madeline Stuber

ILLEGIBLE

INDIVIDUAL ACKNOWLEDGMENT Over Marine Street Form

NAME OF _____

COUNTY OF Cook

This instrument was acknowledged before me on April 4, 2001, by _____



Rhonda K. Shaw
Notary Public, State of Texas
My Commission Expires: 07-21-04

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

07161

JUN 11 2001

at 10:50 AM
and recorded to Book _____
Page _____
Notary Public, Lea County, New Mexico
By CS



EXHIBIT F

OIL & GAS LEASE

THIS AGREEMENT made this 17th day of March, 1981 between [Name Redacted] and [Name Redacted]...

1. Lessee, in consideration of THE 1000 DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided...

Tract No. 14, Block 14, Range 24 East, N.M.P.M. Section 11: SW/4 Section 12: NW/4 Section 13: NW/4, SW/4 Section 14: NW/4 Section 15: NW/4

Said land is estimated to comprise 120.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from the date hereof (called "primary term") and as long thereafter as oil or gas is produced from said land...

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, three-eighths (3/8) of the proceeds and saved from said land, same to be delivered at the well or to the owner of interest in the pipeline to which the wells may be connected...

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force...

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or herein thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas...

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force as long as operations are prosecuted with no cessation of more than 60 consecutive days...

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessee's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used...

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, assigns, administrators, successors and assigns...

37-1-2

or in the community of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessee. If any such change in community occurs through the death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executors or administrators until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or refuse to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of curfew or inability to obtain or use equipment or material, or by operation of laws, injunctions, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended, and Lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and as long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, nothing in this lease to the contrary notwithstanding.

10. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessee or its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be understood to cash lien with the right to deduct sums and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a lease interest in the oil and gas in all or any part of said land then the entire and undivided fee simple estate (whether Lessee's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, covering from any part or to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessee fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, executors, and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated through Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

RESIDUAL PROVISIONS

12. Notwithstanding anything contained herein to the contrary, at the end of the primary term, this lease will terminate out of said land out then included in or attached to a spacing or production unit directed to a spacing well (which shall include shut-in wells) when:

(a) Lessee failed, delayed, completed or suspended a well on said land above described or on land pooled therewith and within one hundred eighty (180) days prior to the expiration of the primary term, completed said well as a producer of oil and/or gas, or plugged said well as a dry hole, or

(b) At the expiration of the primary term, Lessee engaged in drilling, deepening, reworking or re-completing operations on said land or on land pooled therewith;

notwithstanding Lessee commences a continuous drilling program whereby operations for the drilling of a new well, or the deepening, reworking or re-completing of an existing well, are commenced within one hundred eighty (180) days after the date of (a) the expiration of the primary term, or (b) the completion or plugging of any well failed, delayed, completed or suspended above or subsequent to the expiration of the primary term. For the purposes hereof, "completion" shall be the date of the filing of the completed log report with the appropriate governmental authority having jurisdiction, if applicable; or, if a well is plugged as a dry hole, the "plugging" shall be the date of filing the plugging report with the appropriate governmental authority having jurisdiction.

13. When Lessee commences a continuous drilling program, this lease shall terminate out of all acreage then included in a spacing or production unit directed to a spacing well (which shall include shut-in wells) and/or pooled therewith pursuant to the appropriate governmental authority having jurisdiction, at the time of termination, or, in the absence of pooled shut-in wells, the field in which any given well is located, but such gas well (which shall include shut-in wells) shall be deemed 200 acres plus a tolerance of 10%, for a spacing or production unit, and such oil well (which shall include shut-in wells) shall be deemed 80 acres plus a tolerance of 10%, for a spacing or production unit. Each such spacing or production unit shall be acreage operated in the shape of a square or rectangle surrounding such well.

14. Notwithstanding such termination, Lessee shall have a continuing right of way and easement on, over and across all the land covered hereby for the construction, use, maintenance, repair, replacement, or removal of pipelines, roads, telephone lines, electric lines, tank and other facilities for its operations hereunder on land remaining covered by this lease following such termination.

15. This oil and gas lease is subordinate to that certain "Prior Lease" dated August 23, 1967, effective December 7, 1967, recorded in Book 217, page 124, Lea County Records, as amended by instrument dated December 1, 1969, recorded in Book 217, page 124, Lea County Records, but only to the extent that said Prior Lease is currently a valid and subsisting oil and gas lease. Notwithstanding any other provisions of this oil and gas lease, the end of the primary term hereof shall be extended until the third (3rd) anniversary date of this oil and gas lease next following expiration of the continuous development provision contained in said Paragraph No. 12 on the date of attachment to the Prior Lease, provided that in no event shall the primary term hereof expire later than the 20th anniversary date of this oil and gas lease. Extension of this oil and gas lease by Lessee shall never be extended to a termination or proration of the Prior Lease. Lessee specifically agrees not to enter into any agreement of any kind that would extend or continue the primary term or the continuous development provision of the Prior Lease, or modify any of the existing provisions of the Prior Lease.

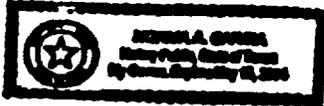
Witness the day and year first above written.

Ernest Hamilton 459, 20-2364
Lessee

4-4-81

ILLEGIBLE

NAME OF _____
COUNTY OF Howard
This instrument was acknowledged before me on April 4 2001, by _____



James A. Garcia
Notary Public, State of _____
My Commission Expires: 5-25-04

ILLEGIBLE

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

07162

JUN 11 2001

at 10:50 am A.
and recorded in Book _____
Page _____
Subscribed Before, Lea County Clerk
By _____



ILLEGIBLE

RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS:

For and in consideration of the premises and for other good and valuable consideration the sufficiency of which is hereby acknowledged, Tom Stokes and John David Stokes (hereinafter referred to as "Lessor") whose mailing address is PO Box 932, Ozona, Texas 76943 does hereby adopt, ratify and confirm that certain oil and gas lease dated March 27, 2001, executed by Erma Hamilton covering the following described property in Lea County, New Mexico, to-wit:

Township 16 South, Range 35 East, N.M.P.M.
Section 13: SE/4
Section 23: SE/4
Section 24: NW/4SW/4, NW/4NE/4
Section 25: NW/4
Section 26: NE/4

a copy of which is recorded at bk 1084 Pg 281, Lea County, New Mexico (the "Lease"), in all its terms and conditions and acknowledge and agree that as of the execution of this instrument that the Lease is a valid and subsisting oil and gas lease binding upon Lessor to the same extent as if Lessor had executed the Lease in the capacity herein stated.

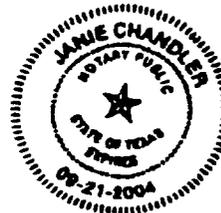
For the same consideration, Lessor does hereby grant, lease and let exclusively unto James D. Huff, whose mailing address is PO Box 705, Mineola, Texas 75773, the lands covered by the lease on the same terms and conditions as contained in the Lease.

This instrument shall inure to the benefit of the parties hereto, their respective heirs, successors, and assigns.

EXECUTED as of the date set forth in the acknowledgment below, but EFFECTIVE for all purposes March 27, 2001.

LESSOR:

Tom Stokes
Tom Stokes
John David Stokes
John David Stokes



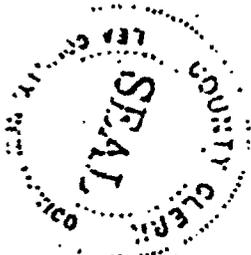
ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF Crockett)

This instrument was acknowledged before me this 3rd day of March 2001 by Tom Stokes and John David Stokes.

Jamie Chandler
Notary Public in and for the State of TX
Printed Name: Jamie CHANDLER
Commission expires: 9-21-2004

ILLEGIBLE



07163

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUN 11 2001

at 10:50 AM
and recorded to Book _____
Page _____
Mildred Douglas, Lea County Clerk
By _____

BOOK 1064 PAGE 289