

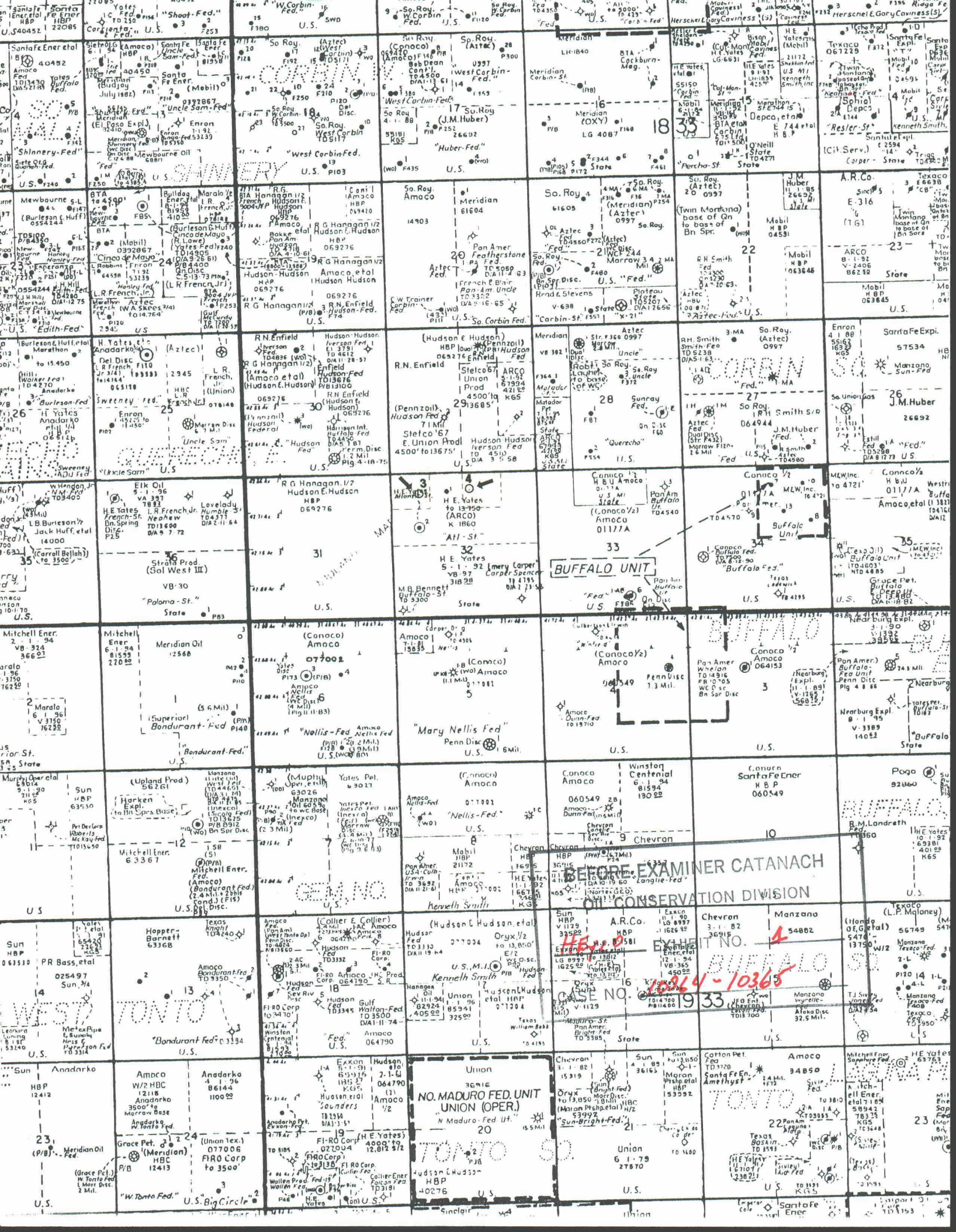


EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT
DATED JULY 28, 1989,
BETWEEN HARVEY E. YATES COMPANY, AS OPERATOR
AND OTHER PARTIES SIGNATORY THERETO, AS NON-OPERATORS

1. LANDS SUBJECT TO CONTRACT:

Township 18 South, Range 33 East, N.M.P.M.
Section 32: N/2
Lea County, New Mexico
containing 320.00 acres, more or less

2. RESTRICTIONS AS TO DEPTHS, FORMATIONS AND SUBSTANCES:

This joint operating agreement covers from the surface to 13,750'.

3. PERCENTAGE INTERESTS OF THE PARTIES TO THIS AGREEMENT:

<u>Working Interest Owners</u>	<u>Working Interest</u>
HEYCO Development Corporation	.78382016
Spiral, Inc.	.03917519
Explorers Petroleum Corporation	.03417519
James H. Yates, Inc.	.03917519
Colkelan Corporation	.03917519
HEYCO Employees, Ltd.	.03917519
Laurelind Corporation	.00500000
F. J. Morgan	.00031645
Robert K. Kerlan	.00411385
Sybil Blackman Carney	.00237338
Consolidated Oil & Gas	.01191796
Edgar J. Braun	.00126580
Dr. Robert B. Cahan	.00031645
	<u>1.00000000</u>

4. OIL & GAS LEASE SUBJECT TO THIS AGREEMENT:

Oil and Gas Lease bearing Serial No. K-1860, dated October 17, 1961, between the State of New Mexico, as Lessor, and Atlantic Richfield Company, as Lessee, insofar as it covers the following lands:

T-18S, R-33E, N.M.P.M.
Section 32: N/2
Lea County, New Mexico
containing 320.00 acres, more or less.

5. ADDRESSES OF PARTIES FOR NOTICE PURPOSES:

SPIRAL, INC.	SYBIL BLACKMAN CARNEY
EXPLORERS PETROLEUM CORP.	21 Trovita
HEYCO EMPLOYEES, LTD.	Irvine, CA. 92720-1952
HEYCO DEVELOPMENT CORP.	CONSOLIDATED OIL & GAS
P. O. Box 1933	1860 Lincoln Street
Roswell, New Mexico 88202	Denver, Colorado 80295
JAMES H. YATES, INC.	EDGAR J. BRAUN
COLKELAN CORPORATION	907 Keeler Avenue
906 S. St. Francis Drive, Suite C	Berkeley, California 94708
Santa Fe, New Mexico 87501	DR. ROBERT B. CAHAN
F. J. MORGAN	2340 Sutter Street
174 S. Mansfield Avenue	San Francisco, Calif. 94115
Los Angeles, California 90036	LAURELIND CORPORATION
ROBERT K. KERLAN	P. O. Box 2143
c/o Ryder Stilwell Inc.	Roswell, New Mexico 88201
5900 Wilshire Blvd. #1100	
Los Angeles, California 90036	

exatlntc/EL

BEFORE EXAMINER MORROW
OIL CONSERVATION DIVISION

HEYCO EXHIBIT NO. 2
10364
CASE NO. 10365

HARVEY E. YATES COMPANY

LEASE NAME & WELL NUMBER: ATLANTIC 32 STATE #3
 LEGAL LOCATION: NW OF THE NW SEC.32 T-18S R-33E
 COUNTY: LEA DEPTH: 5150
 AFE TYPE: (1)DRILLING (2)WD (3)RE-COMPLETION (4)OTHERS (5)P&A = 1

ACCT NO.
 AFE NO. D-01
 FORMATION: LOCO HILLS/GRAYBURG

DRILLING & COMPLETION COSTS:

920-000 INTANGIBLE DRILLING COSTS:	DRY HOLE COSTS	PRODUCING WELL COSTS
921-000 STAKING DAMGES & LEGAL FEES-----	\$2,000	\$2,000
921-001 LOCATION,RIGHT OF WAY-----	\$15,000	\$15,000
921-002 FOOTAGE: FEET @ \$/FOOT 5150 \$13.00 -----	\$66,950	\$66,950
921-003 DAYWORK: DAYS & \$/DAY -----	\$0	\$0
921-004 SURFACE CASING CEMENTING & SERVICE-----	\$4,500	\$4,500
921-005 DRILLING MUD,ADDITIVES & WATER-----	\$10,500	\$10,500
921-006 MUD LOGGING UNIT, SURVEYS ETC.-----	\$2,500	\$2,500
921-007 INTERMEDIATE CASING CEMENTING & SERVICES-----	\$0	\$0
921-008 GENERAL MISC. (BOP TEST,RATHOLE...ETC)-----	\$0	\$0
922-000 RENTAL TOOLS & EQUIPMENT-----	\$0	\$0
922-001 COMPANY SUPERVISION-----	\$4,000	\$4,000
922-004 MISC. BITS, TOOLS & SUPPLIES-----	\$0	\$0
TOTAL INTANGIBLE DRILLING COSTS-----	\$105,450	\$105,450

923-000 INTANGIBLE FORMATION EVALUATION:

923-001 CORING, TOOLS & SERVICE-----	\$0	\$0
923-002 DST: # DST TO RUN/ \$ CHARGE -----	\$0	\$0
923-003 ELECTRIC LOGS, SAMPLE SACKS...ETC-----	\$7,500	\$7,500
923-004 MISC. FORMATION EVAL.-----	\$0	\$0
TOTAL INTANGIBLE FORMATION EVALUATION-----	\$7,500	\$7,500

924-000 INTANGIBLE COMPLETION COSTS:

924-001 COMPLETION UNIT COST: DAYS & \$/DAY 8 \$1,800 -----		\$14,400
924-003 MUD, WATER & ADDITIVES-----		\$3,000
924-004 CEMENT, TOOLS & SERVICES (PROD.STRING...ETC)-----		\$18,500
924-005 ELECTRIC LOGS(CBL...ETC.),TESTING-----		\$3,500
924-006 TOOL & EQUIPMENT RENTAL & TRUCKING-----		\$1,500
924-007 STIMULATION & TREATING-----		\$20,000
924-008 COMPANY SUPERVISION-----		\$5,000
925-001 BITS, TOOLS & SUPPLIES-----		\$0
925-002 PLUG BACK-----		\$0
925-003 MISC. CONTINGENCIES-----		\$8,943
950-000 PLUGGING EXPENSE-----	\$7,000	\$0
TOTAL INTANGIBLE COMPLETION COSTS-----	\$7,000	\$74,843

930-000 TANGIBLE DRILLING & COMPLETION COSTS:

930-001 SURFACE CASING COSTS:(SIZE & FEET) 8 5/8 400 -----	\$7,800	\$7,800
930-002 INTERMEDIATE CASING:(SIZE & FEET) -----	\$0	\$0
930-003 PRODUCTION CASING:(SIZE & FEET) 5 1/2 5150 -----		\$51,500
930-004 PRODUCTION TUBING:(SIZE & FEET) 2 3/8 5150 -----		\$18,025
930-005 CASING HEAD-----		\$1,000
930-006 CASING SPOOL-----		\$0
930-007 TUBING HEAD-----		\$1,000
930-008 CHRISTMAS TREE-----		\$1,500
931-000 SUBSURFACE EQUIPMENT-----		\$7,725
931-001 MISC PIPE CONNECTIONS-----		\$1,000
931-002 PACKER & SPECIAL EQUIPMENT-----		\$2,000
931-003 MISCELLANEOUS CONTINGENCIES-----	\$6,388	\$4,578
TOTAL TANGIBLE DRILLING & COMPLETIONS COSTS-----	\$14,188	\$96,128

940-000 GENERAL LEASE & BATTERY EQUIPMENT:

940-001 PUMPING UNIT (PRIME MOVER)-----		\$30,000
940-002 SEPARATORS, GAS PROD. UNITS,...ETC.-----		\$8,000
940-005 TANKS: NO. & SIZE <u>KEY 10</u> EXHIBIT NO. <u>3</u> -----		\$12,000
941-000 INSTALLATION COSTS-----		\$12,000
941-001 FLOW LINES, VALVES <u>CASE NO. 10364 10365</u> -----		\$5,500
941-005 MISCELLANEOUS LEASE EQUIPMENT-----		\$1,500
TOTAL GENERAL LEASE & BATTERY EQUIPMENT COSTS-----	\$0	\$69,000

TOTAL INTANGIBLE COSTS:	\$119,950	\$187,793
TOTAL TANGIBLE COSTS:	\$14,188	\$96,128
TOTAL LEASE & BATTERY EQUIPMENT:	\$0	\$69,000

TOTAL COSTS***** \$134,138 \$352,920
 PREPARED BY: N.M. YOUNG DATE: JULY 8, 1991

APPROVED BY: _____

*IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE
 ESTIMATED ONLY, AND APPROVAL OF THIS AUTHORIZATION SHALL
 EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE
 OPERATIONS SPECIFIED, WHETHER MORE OR LESS THAN HEREIN SET
 OUT*

COMPANY: _____

DATE: _____

HEYCO

HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS

P.O. BOX 1933

ONE SUNWEST CENTRE

505/622-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

July 12, 1991

CERTIFIED MAIL

Mr. Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

Re: Atlantic 32 State #3
Section 32: NW/4 NW/4
T-18S, R-33E, N.M.P.M.
Lea County, New Mexico

Dear Mr. Braun:

Harvey E. Yates Company (HEYCO) proposes the drilling of the Atlantic 32 State #3 well to be located at a legal location in the NW/4 NW/4 of Section 32, T-18S, R-33E, Lea County, New Mexico. Said well will be drilled to a depth of 5150', or to a depth sufficient to test the Queen and the Grayburg formations. The anticipated spud date for this well is August 15, 1991.

The proposed test is 1180' west of HEYCO's Atlantic 32 State #1 discovery well, and 1320' north of our Atlantic 32 State #2, which was potentialized in June for 110 BOPD pumping. The Penrose pay should be 20' high to the #1 well, at the proposed location. This low-risk development well will also evaluate several potential Grayburg pays that were inadequately logged in the #1 well and are likely to be productive at this updip position.

We have enclosed two copies of the AFE, which lists approximate costs of \$134,138 for a dry hole and \$352,920 for a producing well. Please return one signed copy of the AFE to our office at your earliest convenience.

Thank you for your consideration of this proposal. If you have any questions, please feel free to call. Questions pertaining to geology should be directed to Dave Percy at our office.

Very truly yours,

Robert H. Bell
Landman

RHB/dlm
Enclosures

atnt32s3.brn/LL

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

HEYCO EXHIBIT NO. 4

CASE NO. 10364 10365

Ex #4

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:
Edgar J. Braun
One Embarcadero Center, Ste. 310
San Francisco, Ca. 94111

4. Article Number
P 664 428 862

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☒ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED

5. Signature — Addressee
X

6. Signature — Agent
X *Shirley R. Walker*

7. Date of Delivery
7-18-91

8. Addressee's Address ONLY (if requested and fee paid)

U.S. POSTAL SERVICE
1991 JUL 18
SAN FRANCISCO, CA 94111

PS Form 3811, Apr. 1989

*U.S.G.R.O. 1989-238-815

DOMESTIC RETURN RECEIPT

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HARVEY E. YATES COMPANY FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 10364

AFFIDAVIT

STATE OF NEW MEXICO)
)ss.
COUNTY OF SANTA FE)

BEFORE EXAMINER CATANACH

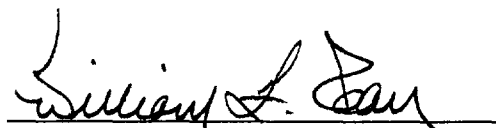
OIL CONSERVATION DIVISION

~~HEARD~~ EXHIBIT NO. 5

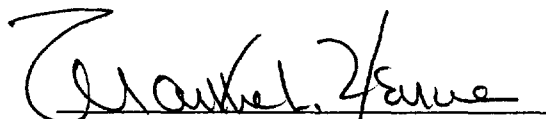
CASE NO. 10364 + 10365

WILLIAM F. CARR, attorney in fact and authorized representative of Harvey E.

Yates Company, the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested persons entitled to receive notice as shown by Exhibit "A" attached hereto, and that pursuant to Rule 1207, notice has been given at the correct addresses provided by such rule.


WILLIAM F. CARR

SUBSCRIBED AND SWORN to before me this 7th day of August, 1991.


Notary Public

My Commission Expires:

August 19, 1991

EXHIBIT A

Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
ANNIE-LAURIE COOGAN

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

July 16, 1991

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

Re: Application of Harvey E. Yates Company for Compulsory Pooling, Lea
County, New Mexico

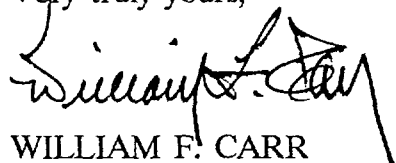
Dear Mr. Braun:

This letter is to advise you that Harvey E. Yates Company has filed the enclosed Amended Application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in the NW/4 NW/4 of Section 32, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico. Harvey E. Yates Company proposes to dedicate the referenced pooled acreage to its Atlantic 32 State Well No. 3 to be located at a standard location in said Section 32 in the Queen, Yates and Grayburg formations.

This application has been set for hearing before a Division Examiner on August 8, 1991. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR HARVEY E. YATES COMPANY
WFC:mlh
Enc.

P-106 678 022

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Edgar J. Braun	
Street and No. Suite 310 One Embarcadero Center	
F.O. State and ZIP Code San Francisco, CA 94111	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date July 16, 1991	

PS Form 3800, June 1985

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check boxes for additional service(s) requested.

1. ☒ Show to whom delivered, date, and addressee's address. (Extra charge)

2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: 2.29 (per item paid)
Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

4. Article Number
P 106 678 022

Type of Service:
☐ Registered
☒ Certified
☐ Insured
☐ COD
☐ Express Mail
☐ Return Receipt for Merchandise

5. Signature - Address
X

6. Signature - Agent
X R. Walker

7. Date of Delivery
7-18-91

8. Addressee's Address (only if requested and signed)
Always obtain signature of addressee or agent and DATE DELIVERED.

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HARVEY E. YATES COMPANY FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 10365

AFFIDAVIT

STATE OF NEW MEXICO)
)ss.
COUNTY OF SANTA FE)

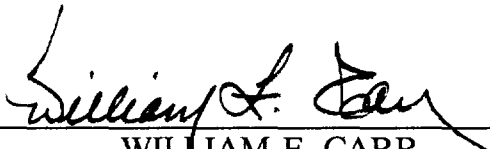
BEFORE EXAMINER CATHY HOGAN
OIL CONSERVATION DIVISION

_____ EXHIBIT NO. _____

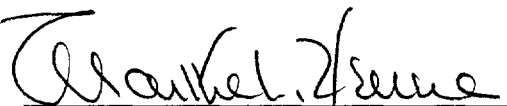
CASE NO. _____

WILLIAM F. CARR, attorney in fact and authorized representative of Harvey E.

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WILLIAM F. CARR

SUBSCRIBED AND SWORN to before me this 7th day of August, 1991.


Notary Public

My Commission Expires:

August 19, 1991

EXHIBIT A

Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

CAMPBELL & BLACK, P.A.

LAWYERS

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BRUCE D. BLACK
MICHAEL B. CAMPBELL
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July 16, 1991

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RETURN RECEIPT REQUESTED

Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, California 94111

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County, New Mexico

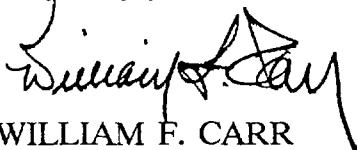
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Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR HARVEY E. YATES COMPANY
WFC:mlh
Enc.

P-106 678 021

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Edgar J. Braun	
Street and No. Suite 310 One Embarcadero Center	
P.O. State and ZIP Code San Francisco, CA 94111	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date July 16, 1991	

PS Form 3800, June 1985

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

1. ☒ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:
Edgar J. Braun
One Embarcadero Center, Suite 310
San Francisco, CA 94111

4. Article Number
P 106 678 021

Type of Service:
☐ Registered
☒ Certified
☐ Express Mail
☐ Insured
☐ COD
☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
X

6. Signature - Agent
X [Signature] R. Walker

7. Date of Delivery
[Stamp: JUL 16 1991 SAN FRANCISCO POSTAGE]