

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

SLO REF NO. OG-550

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

November 3, 1987

Dickerson Fisk & Vandiver
ATTN: Mr. Chad Dickerson
Seventh & Mahone, Suite E
Artesia, New Mexico 88210

Re: Proposed Lazy Tree State Unit
Chaves County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of a unit agreement which you have submitted on behalf of Yates Petroleum Corp., for the proposed Lazy Tree State Unit, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval please submit the following:

1. Application for formal approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

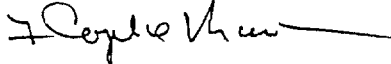
Dickerson, Fisk & Vandiver
November 3, 1987
Page 2

4. On Exhibits "A" and "B" Tract No. 15 the correct Lease No. is VB-159 and the Lessee of record is Murphy H. Baxter.
5. On Exhibits "A" and "B" Tract No. 16 the correct Lease No. is VB-160 and the Lessee of record is Murphy H. Baxter.

Your filing fee in the amount of \$270.00 has been received. If we may be of further help please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 

FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm

cc: OCD-Santa Fe, New Mexico ✓
 Gulram, Inc.

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Attorneys at Law
Seventh and Mahone, Suite E
Artesia, New Mexico 88210

Re: CASE NO. 9244
ORDER NO. R-8535

Applicant:

Yates Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD

Other _____

OCD

Unit Name LAZY TREE STATE UNIT - EXPLORATORY
Operator YATES PETROLEUM CORP.
County LEA COUNTY, NEW MEXICO

DATE	OCC CASE NO. 9244	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-8535	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
OCD: November 6, 1987		11/30/87	4,638.37	4,638.37	-0-	-0-	STRICT	5 YEARS AND SO LONG AS

UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 32 EAST

Section 1: Lots 1,2,3,4,S $\frac{1}{2}$ N $\frac{1}{2}$,S $\frac{1}{2}$, (All)
Section 2: Lots 1,2,3,4,S $\frac{1}{2}$ N $\frac{1}{2}$,S $\frac{1}{2}$ (All)
Section 11: E $\frac{1}{2}$
Section 12: All

TOWNSHIP 13 SOUTH, RANGE 33 EAST

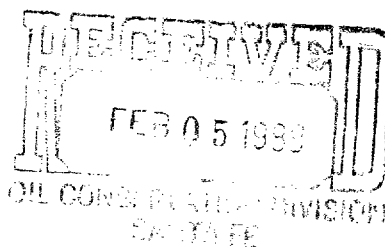
Section 5: Lots 3,4,S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 6: Lots 1,2,3,4,5,6,7,S $\frac{1}{2}$ NE $\frac{1}{4}$,SE $\frac{1}{4}$ NW $\frac{1}{4}$,E $\frac{1}{2}$ SW $\frac{1}{4}$,SE $\frac{1}{4}$, (All)
Section 7: Lots 1,2,3,4,E $\frac{1}{2}$ NW $\frac{1}{2}$,E $\frac{1}{2}$, (All)
Section 8: All
Section 18: Lots 1,2,E $\frac{1}{2}$ NW $\frac{1}{4}$,NE $\frac{1}{4}$

Unit Name LAZY TREE STATE UNIT - EXPLORATORY
Operator YATES PETROLEUM CORPORATION
County LEA COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
							DATE	ACRES		
1	LG-4903	C.S.	12	13S	32E	NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	10/9/87	240.00		Yates Petroleum Corp.
2	LG-5186	C. S.	1	13S	32E	Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	10/9/87	397.16		Yates Petroleum Corp.
3	LG-5614	C. S.	7	13S	33E	Lots 1, 2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	11/5/87	321.16		Sabine Prod. Co.
4	LG-5673	C. S.	1	13S	32E	SW $\frac{1}{4}$	10/9/87			
		C. S.	12	13S	32E	S $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	240.00		Yates Petroleum Corp.
5	LG-5674	C. S.	5	13S	33E	Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	159.51		Yates Petroleum Corp.
6	LG-5675	C. S.	6	13S	33E	Lots 1, 2, 3, 4, 5, 6, 7, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	10/9/87	641.78		Yates Petroleum Corp.
7	LG-5676	C. S.	7	13S	33E	Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	11/5/87	320.60		Sabine Prod. Co.
8	LG-5677	C. S.	8	13S	33E	All	10/9/87	640.00		Yates Petroleum Corp.
9	LG-5680	C. S.	18	13S	33E	Lots 1, 2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	320.08		Yates Petroleum Corp.
10	V-866	C. S.	11	13S	32E	NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$			80.00	Dorchester Expl. Inc.
11	V-867	C. S.	12	13S	32E	NW $\frac{1}{4}$ NW $\frac{1}{4}$			40.00	Southland Roy. Co.
12	V-959	C. S.	12	13S	32E	W $\frac{1}{2}$ SE $\frac{1}{4}$			120.00	Sourthald Roy. Co.
13	V-1051	C. S.	2	13S	32E	N $\frac{1}{2}$ SE $\frac{1}{4}$			80.00	Sun Expl. & Prod Co.
14	V-1218	C. S.	2	13S	32E	Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	11/2/87	240.00		Yates Petroleum Corp.
15	VB-159	C. S.	11	13S	32E	NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$				Murphy H. Baxter
16	VB-160	C. S.	12	13S	32E	SW $\frac{1}{4}$	11/2/87	160.00		Murphy H. Baxter
17	B-399-35	C. S.	1	13S	32E	W $\frac{1}{2}$ SE $\frac{1}{4}$			80.00	Manforth Prod. Inc.



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT

#9244

January 29, 1988

New Mexico Oil Conservation Division
P. O. Box 871
Santa Fe, New Mexico 87501

Attention: Mr. Bill LeMay

Re: Lazy Tree State Unit
Lea County, New Mexico
Case No. 9244
Order No. R-8535

Gentlemen:

Enclosed for your files covering the captioned are the ratification and joinders to Tract 17. As evidenced by the enclosed letter, these joinders have been approved by the Commissioner of Public Lands on January 27, 1988.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Kathy H. Colbert
Landman

KHC/mw

Enclosures



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

January 13, 1987

Commissioner of Public Lands
310 Old Santa Fe Trail
Room 136
Santa Fe, New Mexico 87501

Attention: Mr. Pete Martinez

Re: Lazy Tree State Unit
Lea County, New Mexico

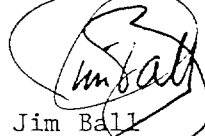
Dear Pete:

Enclosed are three (3) originally executed Ratifications and Joinder of Unit Agreement and Unit Operating Agreement instruments. Said Ratifications have now been properly executed by Manforth Production, Inc. The instruments furnished to your office by cover letter dated December 29, 1987 was not properly acknowledged because the Notary Seal was omitted.

Please approve this submittal of additional and/or corrected Ratifications. Thank you.

Very truly yours,

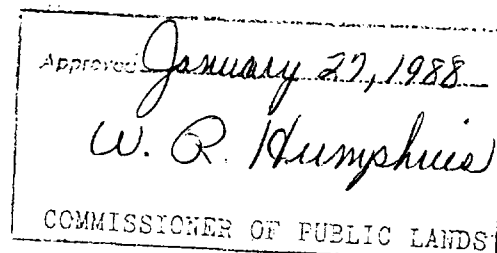
YATES PETROLEUM CORPORATION


Jim Ball
Landman

JB/bp

Enclosures

cc: Chad Dickerson
Attorney-at-Law
611 Mahone Drive
Artesia, New Mexico 88210



RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 17 day of December, 1987.

MANFORTH PRODUCTION, INC.

By Theodore N. Manforth
Title President

Address: c/o Harry Williams
1011 Porpoise Street
Austin, Texas 78734

STATE OF New York)
 : ss
COUNTY OF NASSAU)

The foregoing instrument was acknowledged before me this 17 day of December, 1987 by Theodore N. Manforth, PRESIDENT for Manforth Production Co. Inc., a NEW MEXICO corporation, on behalf of said corporation.

My commission expires:

8/31/88

Marguerite H. Stein
Notary Public

MARGUERITE H. STEIN
NOTARY PUBLIC, State of New York
No. 309100020 Qual. in Nassau County
Commission Expires 8/31/88

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Chaves, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 7 day of December, 1987.

GLEN W. KARSTEN

By Glen W. Karsten

Address: 3435 Westheimer
Apt. 1007
Houston, Texas 77027

STATE OF TEXAS)
) : ss
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 7th day of December, 1987 by GLEN W. KARSTEN, SELF for GLEN W. KARSTEN.

My commission expires:

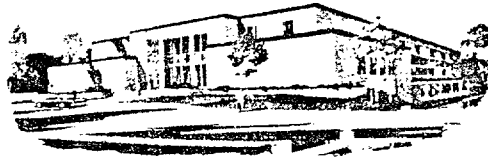
11/24/88

M.D. BEEWSTER
Notary Public

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

SLO REF NO. OG-653

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

January 27, 1988

Yates Petroleum Corporation
ATTENTION: Ms. Cathy Colbert
105 South Fourth Street
Artesia, New Mexico 88210

Re: Subsequent Joinder
Lazy Tree State Unit
Lea County, New Mexico

Gentlemen:

This office is in receipt of Jim Ball's letters of December 29, 1987 and January 13, 1988, together with three originally executed Ratifications and Joinders to the Lazy Tree State Unit Agreement and Unit Operating Agreement.

As per section 23 of the Lazy Tree State Unit Agreement, the Commissioner of Public Lands has this date approved the subsequent joinder ratifications of Glenn W. Karsten and Manforth Production, Inc. Please be advised that the subsequent joinder ratifications to the Lazy Tree Unit Agreement shall become effective as of the first day of the month following the approval by the Commissioner and the filing with the Oil Conservation Division.

Your revised Exhibit "B" Schedule to the Unit Agreement and the Unit Operating Agreement have also this date been accepted.

Very truly yours,

WILLIAM R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: *[Signature]*
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm
encls.

cc: OCD-Santa Fe, New Mexico
GULRAM
TRD-Oil and Gas Processing

Unit Name LAZY TREE STATE UNIT - EXPLORATORY
Operator YATES PETROLEUM CORP.
County LEA COUNTY, NEW MEXICO

*Revised To Show
th # 17 Committee*

DATE	OCC CASE NO. 9244	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-8535	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
OCD: November 6, 1987		11/30/87	4,638.37	4,638.37	-0-	-0-	STRICT	5 YEARS AND SO LONG AS

UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 32 EAST

Section 1: Lots 1,2,3,4,S $\frac{1}{2}$ N $\frac{1}{2}$,S $\frac{1}{2}$, (All)
Section 2: Lots 1,2,3,4,S $\frac{1}{2}$ N $\frac{1}{2}$,S $\frac{1}{2}$ (All)
Section 11: E $\frac{1}{2}$
Section 12: All

TOWNSHIP 13 SOUTH, RANGE 33 EAST

Section 5: Lots 3,4,S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 6: Lots 1,2,3,4,5,6,7,S $\frac{1}{2}$ NE $\frac{1}{4}$,SE $\frac{1}{4}$ NW $\frac{1}{4}$,E $\frac{1}{2}$ SW $\frac{1}{4}$,SE $\frac{1}{4}$, (All)
Section 7: Lots 1,2,3,4,E $\frac{1}{2}$ W $\frac{1}{2}$,E $\frac{1}{2}$, (All)
Section 8: All
Section 18: Lots 1,2,E $\frac{1}{2}$ NW $\frac{1}{4}$,NE $\frac{1}{4}$

Unit Name	LAZY TREE STATE UNIT - EXPLORATORY
Operator	YATES PETROLEUM CORPORATION
County	LEA COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INSTANT	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE	LESSEE
							DATE	ACRES		
1	LG-4903	C.S.	12	13S	32E	NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	10/9/87	240.00		Yates Petroleum Corp.
2	LG-5186	C.S.	1	13S	32E	Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	10/9/87	397.16		Yates Petroleum Corp.
3	LG-5614	C.S.	7	13S	33E	Lots 1, 2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	11/5/87	321.16		Sabine Prod. Co.
4	LG-5673	C.S.	1	13S	32E	SW $\frac{1}{4}$	10/9/87			
		C.S.	12	13S	32E	S $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	240.00		Yates Petroleum Corp.
5	LG-5674	C.S.	5	13S	33E	Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	159.51		Yates Petroleum Corp.
6	LG-5675	C.S.	6	13S	33E	Lots 1, 2, 3, 4, 5, 6, 7, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	10/9/87	641.78		Yates Petroleum Corp.
7	LG-5676	C.S.	7	13S	33E	Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	11/5/87	320.60		Sabine Prod. Co.
8	LG-5677	C.S.	8	13S	33E	All	10/9/87	640.00		Yates Petroleum Corp.
9	LG-5680	C.S.	18	13S	33E	Lots 1, 2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	10/9/87	320.08		Yates Petroleum Corp.
10	V-866	C.S.	11	13S	32E	NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$			80.00	Dorchester Expl. Inc.
11	V-867	C.S.	12	13S	32E	NW $\frac{1}{4}$ NW $\frac{1}{4}$			40.00	Southland Roy. Co.
12	V-959	C.S.	12	13S	32E	W $\frac{1}{2}$ SE $\frac{1}{4}$			120.00	Southland Roy. Co.
13	V-1051	C.S.	2	13S	32E	N $\frac{1}{2}$ SE $\frac{1}{4}$			80.00	Sun Expl. & Prod Co.
14	V-1218	C.S.	2	13S	32E	Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	11/2/87	240.00	558.08	Yates Petroleum Corp.
15	VB-159	C.S.	11	13S	32E	NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	11/2/87	160.00		Murphy H. Baxter
16	VB-160	C.S.	12	13S	32E	SW $\frac{1}{4}$				Murphy H. Baxter
17	B-399-35	C.S.	1	13S	32E	W $\frac{1}{2}$ SE $\frac{1}{4}$	12/17/87	80.00	80.00	Manforth Prod. Inc.



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

January 12, 1988

Oil Conservation Division
Energy and Minerals Department
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. William J. LeMay, Director

Re: Lazy Tree State Unit
Lea County, New Mexico
Manforth Production, Inc.

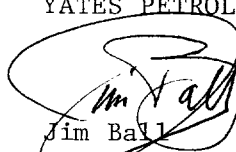
Gentlemen:

Enclosed is a replacement copy of the executed Ratification on the captioned unit. The copy furnished to your office by letter dated December 30, 1987, did not have the Notary Seal affixed.

Thank you.

Very truly yours,

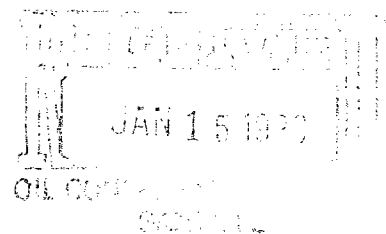
YATES PETROLEUM CORPORATION


Jim Ball
Landman

JB/bp

Enclosure

cc: Chad Dickerson
611 Mahone Drive
Artesia, New Mexico



RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 17 day of December, 1987.

MANFORTH PRODUCTION, INC.

By Theodore N. Danforth
Title President

Address: c/o Harry Williams
1011 Porpoise Street
Austin, Texas 78734

STATE OF New York)
 : ss
COUNTY OF NASSAU)

The foregoing instrument was acknowledged before me this 17 day of December, 1987 by Theodore N. Danforth, President for Manforth Production Co Inc, a New Mexico corporation, on behalf of said corporation.

My commission expires:

8/31/88

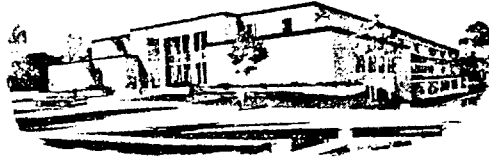
Marquise H. Stein
Notary Public

MARQUISE H. STEIN
Notary Public, State of New York
No. 30-9109020 Qual. in Nassau County

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

November 30, 1987

SLO REF NO. OG-616

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

Dickerson Fisk & Vandiver
ATTN: Mr. Chad Dickerson
Seventh & Mahone, Suite E
Artesia, New Mexico 88210

Re: Final Approval of Lazy Tree State
Unit Agreement Lea County, New
Mexico

Gentlemen:

The Commissioner of Public Lands has this date granted final approval to the Lazy Tree State Unit Agreement, Lea County, New Mexico which you have submitted on behalf of Yates Petroleum Corporation. The effective date of this agreement is November 30, 1987. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Our approval was given with the understanding that Tract Nos. 10, 11, 12, 13 and 17 are not committed at this time.

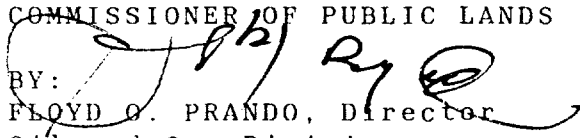
Enclosed are Five (5) Certificates of Approval.

Your filing fee in the amount of \$270.00 has been received.

If we may be of further help, please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm
encls.

cc: OCD-Santa Fe, New Mexico
Gulram
OGAD



S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

December 30, 1987

Oil Conservation Division
Energy and Minerals Department
P. O. Box 2088
Santa Fe, NM 87501

ATTENTION: Mr. William J. LeMay, Director

RE: Lazy Tree State Unit
Lea County, New Mexico

Gentlemen:

Enclosed are the revised pages regarding the captioned unit's Operating Agreement, Unit Agreement and Ratifications.

The Ratification of Glen W. Karsten replaces the Ratification of F. Karsten who is deceased and the Manforth Production, Inc. ratification has been executed.

The Ratifications have been submitted to the Commissioner of Public Lands for approval. Once approval has been received from their office you will receive a copy.

If this submittal is not satisfactory, please do not hesitate to call.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read 'Jim Ball Landman', is written over the typed name.

Jim Ball
Landman

JB:rj

Enclosures

cc: Chad Dickerson

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, a New Mexico corporation, 105 S. 4th Street, Artesia, NM, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

I. The term "Earning Parties" shall mean Yates Petroleum Corporation.

J. The term "Contributing Parties" shall mean Bass Enterprises Production Company, Manforth Production, Inc. and Glen W. Karsten.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:

- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☐ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD**1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate	DEEP UNIT AREA - \$5400.00	SHALLOW UNIT AREA - \$3500.00
Producing Well Rate	DEEP UNIT AREA - \$540.00	SHALLOW UNIT AREA - \$350.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

~~Option No. 2:~~ In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 130 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 120 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV. COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV. OTHER PROVISIONS

A. Not included.

B. Not included.

C. Not included.

D. Notwithstanding any other provisions herein, if during the term of this agreement, a well is required to be drilled, deepened, reworked, plugged back, sidetracked, or recompleted, or any other operation that may be required in order to (1) continue a lease or leases in force and effect, or (2) maintain a unitized area or any portion thereof in force and effect, or (3) earn or preserve an interest in and to oil and/or gas and other minerals which may be owned by a third party or which, failing in such operation, may revert to a third party, or, (4) comply with an order issued by a regulatory body having jurisdiction in the premises, failing in which certain rights would terminate, the following shall apply. Should less than all of the parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at their sole cost, risk, and expense. Promptly following the conclusion of such operation, each of those parties not participating agree to execute and deliver an appropriate assignment to the total interest of each non-participating party in and to the lease, leases, or rights which would have terminated or which otherwise may have been preserved by virtue of such operation, and in and to the lease, leases or rights within the balance of the drilling unit upon which the well was drilled, excepting, however, wells theretofore completed and capable of producing in paying quantities. Such assignment shall be delivered to the participating parties in the proportion that they bore the expense attributable to the non-participating parties' interest.

E. No production, whether oil or gas, may be sold from the lease acreage, or lands pooled therewith, to any party's subsidiaries, affiliates, or associates, without each party's prior written consent. All production sold from the lease acreage, or lands pooled therewith, will be an arm's length trade with a third party purchaser. It is expressly agreed if prior written consent is given to a party selling to themselves, its subsidiaries, affiliates, or associates, the other parties to this agreement will have the option to also sell to said purchaser, at the same or better price. In the event any party hereto, makes an arm's length trade with a third party purchaser, the remaining parties will have the option to also sell at the same or higher price.

F. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands described in Paragraph 2.a. of Exhibit "A" that are found from the surface to a depth of 5,000 feet below the surface of the ground.

The term "Deep Unit Area" shall mean those horizons underlying the lands described in Paragraph 2.b. of Exhibit "A" that are found below a depth of 5,000 feet below the surface of the ground. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point of the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing proportionately reduced as to the interest owned by the parties attempting a completion in the Shallow Unit Area. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED OCTOBER 9, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, "NON-OPERATORS", COVERING LANDS IN TOWNSHIP 13 SOUTH, RANGES 32 & 33 EAST, LEA COUNTY, NEW MEXICO.

H. RIGHTS EARNED

H.1 In consideration of payment of expenses in the proportions as set forth in Exhibit "A" hereof, performance of all the terms and provisions of this agreement, and completion of the Initial, Substitute, or Optional Test Well as a well capable of producing oil or gas in paying quantities (quantities sufficient to return the cost of operating the well and a reasonable profit), Earning Parties shall earn 100% of oil and gas rights to the Initial Test Well in the proportions set forth in Exhibit "A". Contributing Parties shall deliver to Earning Parties an appropriate assignment conveying an undivided 66.67% interest in each of Contributing Parties' leases, subject to the terms of this Agreement. Contributing Parties in proportion to their interest in the Contract Area, hereby reserve from the Initial Test Well an overriding royalty of the difference between existing burdens and 22.5% of 8/8ths of the net proceeds received from the sale of oil and gas produced, saved and marketed from the drilling unit.

Notwithstanding anything contained in this agreement to the contrary, in the event Earning Parties drill and complete a well capable of producing oil or gas in paying quantities in accordance with the terms and provisions of this agreement and by virtue thereof become entitled to an assignment from Contributing Parties, as provided in Article XV H.1, such assignment shall contain a depth restriction limiting the oil and gas rights assigned to only cover those depths from the surface to 100 feet below the total depth drilled in the initial test well. All other depths shall be reserved by Contributing Parties.

H.2 Payout is defined to be the date on which the net proceeds attributable to Earning Parties' interest in the drilling unit shall equal Earning Parties' share of the cost and expense, both tangible and intangible, of drilling, equipping, testing and completing said well for production, and of operating the said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited to Earning Parties' interest in production, less severance, production or other taxes, including crude oil excise taxes, payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by this agreement. Charges and expenses to be made in accordance with and accounted for as set forth in Exhibit "C" hereto. During Payout, Operator shall furnish Contributing Parties with current quarterly statements summarizing income and expenses properly chargeable to Payout. Upon Payout, Operator shall promptly notify Contributing Parties by certified mail and, upon receipt of such notification, Contributing Parties shall have thirty (30) days within which to advise Operator of their election to continue their reserved overriding royalties. If Contributing Parties fail to respond within said thirty (30) days, the overriding royalty reserved by Contributing Parties shall automatically convert to an undivided thirty three and one third percent (33 1/3%) working interest proportionately reduced and, subject proportionately only to Lessor's royalty and overriding royalties burdening the lease acreage in effect on the date hereof. The conversion of Contributing Parties' reserved overriding royalties shall be effective at 7:00 a.m. of the first day following that in which Payout occurs.

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED OCTOBER 9, 1987 BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL, AS "NON-OPERATORS" COVERING LANDS IN TOWNSHIP 13 SOUTH, RANGES 32 & 33 EAST, LEA COUNTY, NEW MEXICO

EXHIBIT "A"

I. 1. Lands Subject to Agreement:

Township 13 South, Range 32 East, NMPM

Section 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$, (ALL)

Section 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$, (All)

Section 11: E $\frac{1}{2}$

Section 12: All

Township 13 South, Range 33 East, NMPM

Section 5: Lots, 3,4, S $\frac{1}{2}$ NW $\frac{1}{4}$

Section 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$, (All)

Section 7: Lots, 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$, (All)

Section 8: All

Section 18: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$

Containing 4638.37 acres, more or less

Lea County, New Mexico

2. Depth Restriction:

a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,000 feet below the surface of the ground.

b. The Deep Unit Area covers only the oil and gas rights from a depth below 5000'.

3. Drilling Unit for First Well:

Proration Unit as established by the New Mexico OCD

II. Percentage Interests of Parties Under the Agreement:

See Page 2 of Exhibit A

III. Addresses of Parties to Which Notices Should be Sent:

Bass Enterprises Production Company
First City Bank Tower
201 Main Street
Fort Worth, Texas 76102
Attention: Mr. Louis Wilpitz

Sabine Corporation
1000 LTV Center - Lock Box 109
2001 Ross Avenue
Dallas, Texas 75201-2993
Attention: Mr. Robert W. Floyd

Manforth Production, Inc.
c/o Harry Williams
1011 Porpoise Street
Austin, Texas 78734

Glen W. Karsten
3435 Westheimer, Apt. 1007
Houston, Texas 77027

Murphy H. Baxter
1200 Smith Street, Suite 2950
Houston, Texas 77002
Attn: Mr. Lynn Miler

Wing Corporation
P. O. Box 2040
Midland, Texas 79702
Attn: Mr. Mike Miller

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Jim Ball

Parties Not Committed to the Unit

Dorchester Master Limited Partnership
c/o Damson Oil Corporation
P. O. Box 4391
Houston, Texas 77210
Attention: Mr. Tim Dover

Sun Exploration and Production
Company
Sun Tower - ClayDesta Plaza
No. 24 Smith Road - Suite 600
Midland, Texas 79705
Attention: Mr. Stanley A. Rever

Southland Oil Company
c/o Meridian Oil, Inc.
21 Desta Drive
Midland, Texas 79705
Attention: Mr. Trey Shepard III

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED OCTOBER 9, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL., AS "NON-OPERATORS" COVERING LANDS IN TOWNSHIP 13 SOUTH, RANGES 32 & 33 EAST, LEA COUNTY, NEW MEXICO

NAME	DEEP ACRES	DEEP BASIS % OF UNIT	DEEP		DEEP		DEEP		DEEP SUBSEQUENT WELLS
			INITIAL TEST WELL	INITIAL PARTICIPATING ACRES	INITIAL TEST WELL	INITIAL PARTICIPATING PERCENTAGE	INITIAL TEST WELL	INITIAL TEST WELL	
Yates Petroleum Corporation	1329.7192	28.6679%	1329.7192	-0-	30.7922%	-0-	60.4693%	50.5769%	50.5769%
Yates Drilling Company	435.6953	9.3933	435.6953	-0-	10.0893	-0-	10.0893	10.0893	10.0893
Abo Petroleum Corporation	435.6952	9.3933	435.6952	-0-	10.0893	-0-	10.0893	10.0893	10.0893
Mycro Industries, Inc.	435.6953	9.3933	435.6953	-0-	10.0893	-0-	10.0893	10.0893	10.0893
Bass Enterprises Production Company	1201.5650	25.9049	1201.5650	-0-	27.8245	F/O	9.2748	9.2748	9.2748
Sabine Corporation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Dorchester Master Limited Partnership	80.0000	1.7247	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sun Exploration and Production Company	80.0000	1.7247	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Southland Oil Company	160.0000	3.4495	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Manforth Production, Inc.	40.0000	.8623	40.0000	-0-	.9263	F/O	.3088	.3088	.3088
Glen W. Karsten	40.0000	.8624	40.0000	-0-	.9263	F/O	.3088	.3088	.3088
Murphy H. Baxter	100.0000	2.1559	100.0000	-0-	2.3157	2.3157	2.3157	2.3157	2.3157
Wing Corporation	300.0000	6.4678	300.0000	-0-	6.9471	6.9471	6.9471	6.9471	6.9471
	4638.3700	100.0000%	4618.3700	-0-	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT DATED OCTOBER 9, 1987, BETWEEN YATES PETROLEUM CORPORATION, "OPERATOR", AND YATES DRILLING COMPANY, ET AL., AS "NON-OPERATORS" COVERING LANDS IN TOWNSHIP 13 SOUTH, RANGES 32 & 33 EAST, LEA COUNTY, NEW MEXICO

NAME	SHALLOW ACRES	SHALLOW BASIS % OF UNIT	SHALLOW		SHALLOW		SHALLOW		SHALLOW SUBSEQUENT WELLS
			INITIAL TEST WELL	ACRES	INITIAL TEST WELL	PERCENTAGE	INITIAL TEST WELL	BPO	
Yates Petroleum Corporation	1008.8392	21.7499%	1008.8392		23.3616%		45.6081%	38.1926%	38.1926%
Yates Drilling Company	435.6953	9.3933	435.6953		10.0893		10.0893	10.0893	10.0893
Abo Petroleum Corporation	435.6952	9.3933	435.6952		10.0893		10.0893	10.0892	10.0892
Myco Industries, Inc.	435.6953	9.3933	435.6953		10.0893		10.0893	10.0893	10.0893
Bass Enterprises Production Company	880.6850	18.9870	880.6850		20.3939	F/O	6.7980	6.7980	6.7980
Sabine Corporation	641.7600	13.8359	641.7600		14.8612		14.8612	14.8612	14.8612
Dorchester Master Limited Partnership	80.0000	1.7247	-0-		-0-		-0-	-0-	-0-
Sun Exploration and Production Company	80.0000	1.7247	-0-		-0-		-0-	-0-	-0-
Southland Oil Company	160.0000	3.4495	-0-		-0-		-0-	-0-	-0-
Manforth Production, Inc.	40.0000	.8623	40.0000		.9263	F/O	.3088	.3088	.3088
Glen W. Karsten	40.0000	.8624	40.0000		.9263	F/O	.3088	.3088	.3088
Murphy H. Baxter	100.0000	2.1559	100.0000		2.3157		2.3157	2.3157	2.3157
Wing Corporation	300.0000	6.4678%	300.0000		6.9471		6.9471	6.9471	6.9471
	4638.3700	100.0000%	4318.3700		100.0000%		100.0000%	100.0000%	100.0000%

EXHIBIT A-2
To Operating Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract # Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner
1. T13S-R32E Sec. 12: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	LG-4903 12-1-87	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%
2. T13S-R32E Sec. 1: Lots 1,2,3,4, S $\frac{1}{4}$ N $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$	397.16	LG-5186 3-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%
3. T13S-R33E Sec. 7: Lots 1,2,NE $\frac{1}{4}$ E $\frac{1}{4}$ NW $\frac{1}{4}$	321.16	LG-5614 8-1-88	State 1/8	Sabine Corporation	1/16 Over- riding Royalty Interest Below 5000' Sabine Corporation	Surface to 5000' Sabine Corporation - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%
4. T13S-R32E Sec. 1: SW $\frac{1}{4}$ Sec. 12: S $\frac{1}{4}$ NW $\frac{1}{4}$	240.00	LG-5673 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%

EXHIBIT A-2
To Operating Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Page 2 of 4

Tract # Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
5. T13S-R33E Sec. 5: Lots 3,4, S1NW1/4	159.51	LG-5674 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Myco Industries, Inc. 12.5% Bass Enterprises Production Company - 50%
6. T13S-R33E Sec. 6: Lots 1,2,3, 4,5,6,7, S1NE1/4, SE1NW1/4, E1SW1/4, SE1	641.78	LG-5675 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Myco Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
7. T13S-R33E Sec. 7: Lots 3,4, E1SW1/4, SE1	320.60	LG-5676 9-1-88	State 1/8	Sabine Corporation	1/16 Over- riding Royalty Interest Below 5000' Sabine Corporation	Surface to 5000' Sabine Corporation - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50% Company - 50%

EXHIBIT A-2
To Operating Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
11.	T13S-R32E Sec. 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	V-867 10-1-88	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
12.	T13S-R32E Sec. 12: SE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	V-959 1-1-89	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
13.	T13S-R32E Sec. 2: N $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	V-1051 5-1-89	State 1/6	Sun Exploration and Production Company	None	Sun Exploration and Production Company - 100%
14.	T13S-R32E Sec. 2: Lots 1,2,3, 4, S $\frac{1}{4}$ N $\frac{1}{4}$, SW $\frac{1}{4}$, S $\frac{1}{4}$ SE $\frac{1}{4}$	558.08	V-1218 9-1-89	State 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Mycro Industries, Inc. - 10%
15.	T13S-R32E Sec. 11: NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	VB-159 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
16.	T13S-R32E Sec. 12: SW $\frac{1}{4}$	160.00	VB-160 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
17.	T13S-R32E Sec. 1: W $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	B-399-35 HBP	State 1/8	Manforth Production Inc.	None	Manforth Production Inc. - 50% Glen W. Karsten - 50%
TOTAL		4638.37	ACRES OF STATE LANDS				

EXHIBIT B
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract # Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner
1. T13S-R32E Sec. 12: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	LG-4903 12-1-87	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Mycos Industries, Inc. - 25%
2. T13S-R32E Sec. 1: Lots 1,2,3,4, S $\frac{1}{4}$ N $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$	397.16	LG-5186 3-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Mycos Industries, Inc. - 25%
3. T13S-R33E Sec. 7: Lots 1,2,NE $\frac{1}{4}$ E $\frac{1}{4}$ NW $\frac{1}{4}$	321.16	LG-5614 8-1-88	State 1/8	Sabine Corporation	1/16 Over- riding Royalty Interest Below 5000' Sabine Corporation	Surface to 5000' Sabine Corporation - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%
4. T13S-R32E Sec. 1: SW $\frac{1}{4}$ Sec. 12: S $\frac{1}{4}$ NW $\frac{1}{4}$	240.00	LG-5673 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Mycos Industries, Inc. - 25%

EXHIBIT "B"
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessees of Record	Overriding Royalty	Working Interest Owner & Percentage
5.	T13S-R33E Sec. 5: Lots 3,4, S1NW1	159.51	LG-5674 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycro Industries, Inc. 12.5% Bass Enterprises Production Company - 50%
6.	T13S-R33E Sec. 6: Lots 1,2,3, 4,5,6,7, S1NE1, SE1NW1, E1SW1, SE1	641.78	LG-5675 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycro Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
7.	T13S-R33E Sec. 7: Lots 3,4, E1SW1, SE1	320.60	LG-5676 9-1-88	State 1/8	Sabine Corporation	1/16 Overriding Royalty Interest Below 5000' Sabine Corporation	Surface to 5000' Sabine Corporation - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%

EXHIBIT "B"
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
11.	T13S-R32E Sec. 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	V-867 10-1-88	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
12.	T13S-R32E Sec. 12: SE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	V-959 1-1-89	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
13.	T13S-R32E Sec. 2: N $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	V-1051 5-1-89	State 1/6	Sun Exploration and Production Company	None	Sun Exploration and Production Company - 100%
14.	T13S-R32E Sec. 2: Lots 1,2,3, 4, S $\frac{1}{4}$ N $\frac{1}{4}$, SW $\frac{1}{4}$, S $\frac{1}{4}$ SE $\frac{1}{4}$	558.08	V-1218 9-1-89	State 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc. - 10%
15.	T13S-R32E Sec. 11: NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	VB-159 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
16.	T13S-R32E Sec. 12: SW $\frac{1}{4}$	160.00	VG-160 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
17.	T13S-R32E Sec. 1: W $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	B-399-35 HBP	State 1/8	Manforth Production Inc.	None	Manforth Production Inc. - 50% Glen W. Karsten - 50%
TOTAL		4638.37	ACRES OF STATE LANDS				

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Chaves, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 7 day of December, 1987.

GLEN W. KARSTEN

By Glen W. Karsten

Address: 3435 Westheimer
Apt. 1007
Houston, Texas 77027

STATE OF TEXAS)
) : ss
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 7th day of December, 1987 by GLEN W. KARSTEN, SELF for GLEN W. KARSTEN.

My commission expires:

11/24/88

W.D. Brewster
Notary Public W.D. BREWSTER

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 17 day of December, 1987.

MANFORTH PRODUCTION, INC.

By Theodore N. Danforth
Title President

Address: c/o Harry Williams
1011 Porpoise Street
Austin, Texas 78734

STATE OF New York)
 : ss
COUNTY OF NASSAU)

The foregoing instrument was acknowledged before me this 17 day of December, 1987 by Theodore N. Danforth, President for Manforth Production, Inc., a New Mexico corporation, on behalf of said corporation.

My commission expires:

8/31/88

Manforth N. Danforth
Notary Public

November 24, 1987

Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 9244 - Order No. R-8535
Lazy Tree State Unit - Lea County, New Mexico

Gentlemen:

In accordance with Order No. R-8535 entered in Case No. 9244 on November 6, 1987, enclosed is an originally executed copy of the Unit Agreement for the Development and Operation of the Lazy Tree State Unit Area, Lea County, New Mexico, with Ratifications attached. Final approval has been requested of the Commissioner of Public Lands.

77.5404% of the unit interests from the surface down to 5,000 feet beneath the surface, and 91.3763% of the unit interests below 5,000 feet are committed as of the date hereof. The interest of Sabine Production Company in the shallow rights in Tracts 3 and 7 are uncommitted at this date. However, their ratification is being forwarded directly to the Commissioner of Public Lands from Sabine Production Company by Federal Express. The interests of Dorchester Master Limited Partnership (Tract 10), Southland Oil Company (Tracts 11 and 12), Sun Exploration and Production Company (Tract 13), F. Karsten (Tract 17) and Manforth Production, Inc. (Tract 17) are uncommitted at this time. The ratifications will be furnished to you upon their receipt by Yates Petroleum Corporation.

Sincerely yours,

DICKERSON, FISK & VANDIVER



Chad Dickerson

CD:pv
Enclosure
cc: Mr. Jim Ball

November 24, 1987

VIA FEDERAL EXPRESS

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

Attention: Mr. Pete Martinez

Re: SLO Reference No. OG-550
Lazy Tree State Unit
Lea County, New Mexico

Gentlemen:

On behalf of Yates Petroleum Corporation, application is hereby made for final approval of the Lazy Tree State Unit, Lea County, New Mexico. Enclosed for this purpose are three originals of the Unit Agreement, with ratifications attached, and one original of the Unit Operating Agreement. 77.5404% of the unit interests from the surface down to 5,000 feet beneath the surface, and 91.3763% of the unit interests below 5,000 feet are committed as of the date hereof. The interest of Sabine Production Company in the shallow rights in Tracts 3 and 7 are uncommitted at this date. However, their ratification will be forwarded directly to you from Sabine Production Company by Federal Express. The interests of Dorchester Master Limited Partnership (Tract 10), Southland Oil Company (Tracts 11 and 12), Sun Exploration and Production Company (Tract 13), F. Karsten (Tract 17) and Manforth Production, Inc. (Tract 17) are uncommitted at this time.

Hearing before the New Mexico Oil Conservation Division was held in Case No. 9244 on November 4, 1987, and the Unit Agreement was approved November 6, 1987, by Order No. R-8535, effective upon approval of the agreement by the Commissioner of Public Lands.

Commissioner of Public Lands

November 24, 1987

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The corrections to Exhibits "A" and "B" requested in your letter of November 3, 1987, granting preliminary approval as to form and content of the agreement, have been made.

After approval of the Unit Agreement, please return one of the original copies of the agreement to us. Please advise if you need anything further in this regard.

Thank you for your cooperation in this matter.

Sincerely yours,

DICKERSON, FISK & VANDIVER


Chad Dickerson

CD:pv
Enclosures

cc: Mr. Jim Ball (w/xc OCD Order)
New Mexico Oil Conservation Division

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
LAZY TREE STATE UNIT AREA
LEA COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 9th day of October, 1987, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N. M. Statutes 1978 Annot.), to consent to and approve the development of operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development or part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N. M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. New Mexico Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Lazy Tree State Unit Area covering the land hereinafter described to give reasonably

effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 13 South, Range 32 East
Section 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$, (All)
Section 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$, (All)
Section 11: E $\frac{1}{2}$
Section 12: All

Township 13 South, Range 33 East
Section 5: Lots 3,4, S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$, (All)
Section 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$, (All)
Section 8: All
Section 18: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$

Containing 4638.37 acres, more or less
Lea County, New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and indentify of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: Yates Petroleum Corporation, whose address is 105 South Fourth Street, Artesia, New Mexico 88210 is hereby designated as unit

operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the newly duly qualified successor unit operator, or to the owners thereof if no such new unit operation is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working

interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the top of the Cisco formation or to such a depth as

unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the cost of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N.M. Statutes 1978 Annotated,) of intention to cancel on account of any alleged breach of said covenant for reasonable development and decision entered thereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated), and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this Agreement unless at the expiration of five years (5) after the first day of the month following the effective date of this Agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may

be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the secondary term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas, or either of them, has been discovered is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the primary term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the rights at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement, shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary material in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the

Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

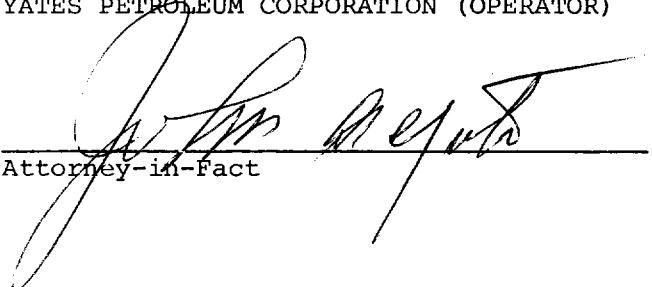
IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

YATES PETROLEUM CORPORATION (OPERATOR)

Date

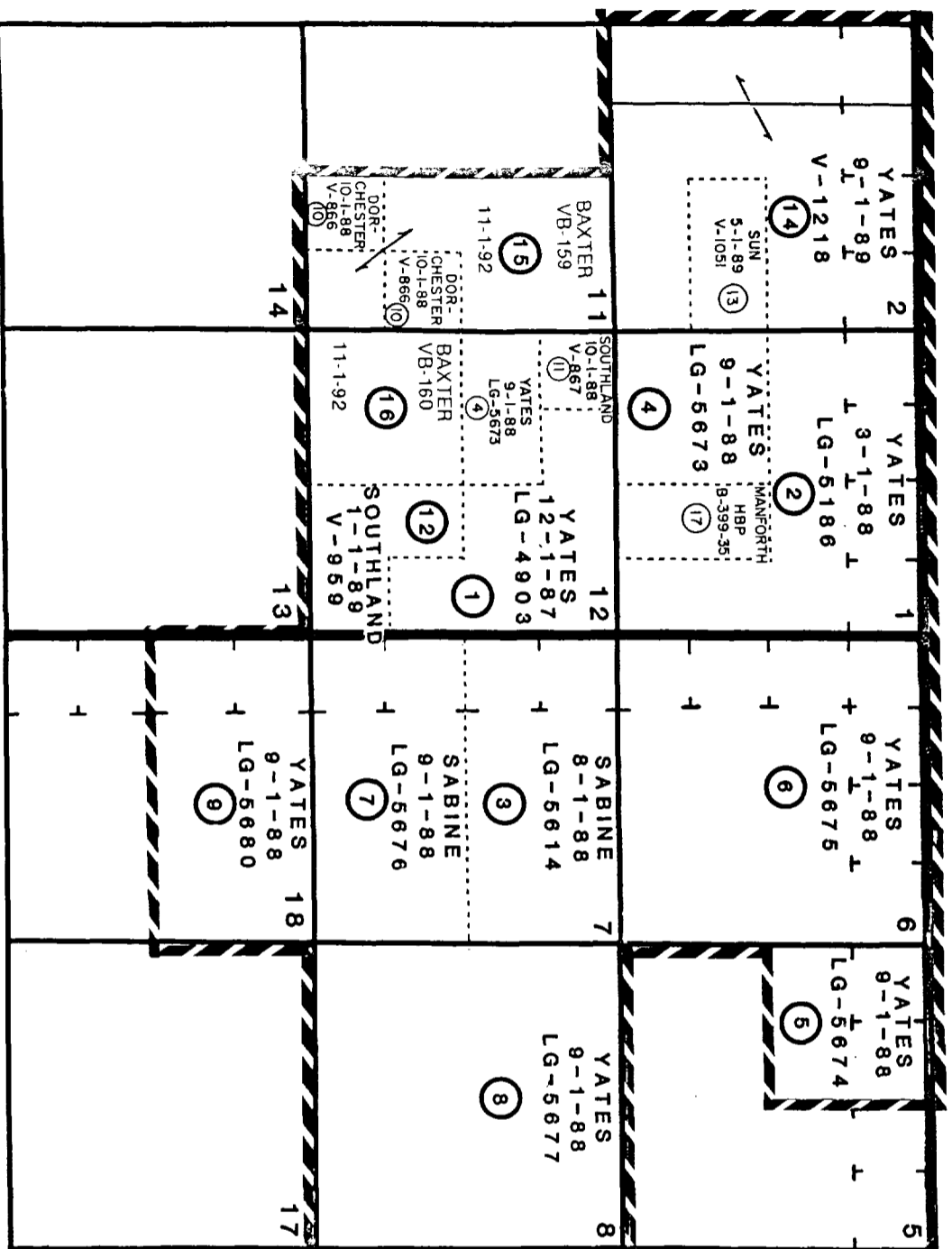
10/9/87



Attorney-in-Fact

R32E

R33E



LAZY TREE STATE UNIT

LEA COUNTY, NEW MEXICO

EXHIBIT "A"

STATE LAND

TRACT NUMBERS

UNIT OUTLINE

T
13
S

YATES PETROLEUM

105 S. 4TH STREET

ARTESIA, NEW MEXICO

EXHIBIT B
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract # Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner
1. T13S-R32E Sec. 12: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	LG-4903 12-1-87	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%
2. T13S-R32E Sec. 1: Lots 1,2,3,4, S $\frac{1}{4}$ N $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$	397.16	LG-5186 3-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%
3. T13S-R33E Sec. 7: Lots 1,2,NE $\frac{1}{4}$ E $\frac{1}{4}$ NW $\frac{1}{4}$	321.16	LG-5614 8-1-88	State 1/8	Sabine Production Company	1/16 Over- riding Royalty Interest Below 5000' Sabine Production Company	Surface to 5000' Sabine Production Company - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%
4. T13S-R32E Sec. 1: SW $\frac{1}{4}$ Sec. 12: S $\frac{1}{4}$ NW $\frac{1}{4}$	240.00	LG-5673 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 25% Yates Drilling Company - 25% Abo Petroleum Corporation - 25% Myco Industries, Inc. - 25%

EXHIBIT "B"
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
5.	T13S-R33E Sec. 5: Lots 3,4, S1NW1	159.51	LG-5674 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycro Industries, Inc. 12.5% Bass Enterprises Production Company - 50%
6.	T13S-R33E Sec. 6: Lots 1,2,3, 4,5,6,7, S1NE1, SE1NW1, E1SW1, SE1	641.78	LG-5675 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycro Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
7.	T13S-R33E Sec. 7: Lots 3,4, E1SW1, SE1	320.60	LG-5676 9-1-88	State 1/8	Sabine Production Company	1/16 Over-riding Royalty Interest Below 5000' Sabine Production Company	Surface to 5000' Sabine Production Company - 100% Below 5000' Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%

EXHIBIT "B"
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
8.	T13S-R33E Sec. 8: All	640.00	LG-5677 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Myco Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
9.	T13S-R33E Sec. 18: Lots 1,2, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	320.08	LG-5680 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Myco Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
10.	T13S-R32E Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	V-866 10-1-88	State 1/6	Dorchester Exploration Inc.	James M. Perkins, Jr. - .3% Robert K. Taylor - .6% David L. Sleeper - .6% Jerry B. Elger - .6% Larry R. Seng - .3% Frank G. Motycka, Jr. - .3%	Dorchester Master Limited Partnership - 100%

EXHIBIT "B"
To Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
11.	T13S-R32E Sec. 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	V-867 10-1-88	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
12.	T13S-R32E Sec. 12: SE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	V-959 1-1-89	State 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
13.	T13S-R32E Sec. 2: N $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	V-1051 5-1-89	State 1/6	Sun Exploration and Production Company	None	Sun Exploration and Production Company - 100%
14.	T13S-R32E Sec. 2: Lots 1,2,3, 4, S $\frac{1}{4}$ N $\frac{1}{4}$, SW $\frac{1}{4}$, S $\frac{1}{4}$ SE $\frac{1}{4}$	558.08	V-1218 9-1-89	State 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Mycro Industries, Inc. - 10%
15.	T13S-R32E Sec. 11: NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	240.00	VB-159 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
16.	T13S-R32E Sec. 12: SW $\frac{1}{4}$	160.00	VB-160 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% Wing Corporation - 75%
17.	T13S-R32E Sec. 1: W $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	B-399-35 HBP	State 1/8	Manforth Production Inc.	None	Manforth Production Inc. - 50% F. Karsten - 50%
TOTAL		4638.37	ACRES OF STATE LANDS				

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 30th day of October, 1987.

YATES DRILLING COMPANY

By 
Attorney-in-Fact

105 South Fourth Street

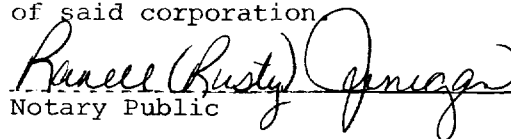
Artesia, New Mexico 88210

STATE OF NEW MEXICO)
 : SS
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 30th day of October, 1987 by Peyton Yates, Attorney-in-Fact for YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:

10-31-90


Notary Public

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 9th day of October, 1987.

ABO PETROLEUM CORPORATION

By 
Attorney-in-Fact


105 South Fourth Street

Artesia, New Mexico 88210

STATE OF NEW MEXICO)
 : ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 9th day of October, 1987 by John A. Yates, Attorney-in-Fact for ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:


Notary Public

10-31-90

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 30th day of October, 1987.

MYCO INDUSTRIES, INC.

By Frank W. Yates, Jr.
Attorney-in-Fact

105 South Fourth Street

Artesia, New Mexico 88210

STATE OF NEW MEXICO)
 : ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 30th day of October, 1987 by Frank W. Yates, Jr., Attorney-in-Fact for MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:

10-31-90

Renee (Rusty) Jimenez
Notary Public

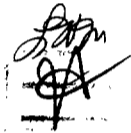
RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

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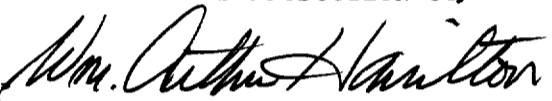
This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 3RD day of November, 1987.



BASS ENTERPRISES PRODUCTION CO,

By



Wm. Arthur Hamilton

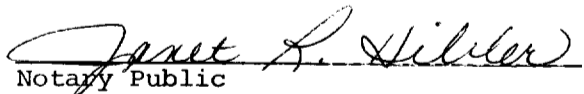
Title Vice President

Address: First City Bank Tower
201 Main Street
Fort Worth, Texas 76102
Attn: Mr. Louis Wilpitz

STATE OF TEXAS)
: ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 4th day of October, 1987 by Wm. Arthur Hamilton, Vice President for BASS ENTERPRISES PRODUCTION CO, a TEXAS corporation, on behalf of said corporation.

My commission expires:


Notary Public

JANET R. HIBLER, Notary Public
In and for the State of Texas
My Commission Expires 5-28-89

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

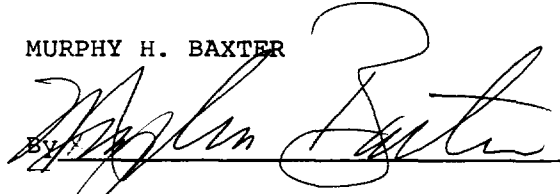
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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 2nd day of November 1987.

MURPHY H. BAXTER


By _____
Title _____

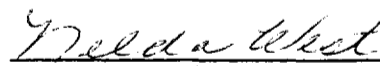
Address: 1200 Smith Street
Suite 2950
Houston, Texas 77002
Attn: Mr. Lynn Miler

STATE OF TEXAS)
 : ss
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 2nd day of November 1987 by MURPHY H. BAXTER.

My commission expires:

May 31, 1989



Notary Public
Nelda West, Notary Public for
The State of Texas

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LAZY TREE STATE UNIT, County of Lea, State of New Mexico, dated October 9, 1987, in form approved on behalf of the Secretary of the Interior and the Commission of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 2nd day of November 1987.

ATTEST:

By: Charles W. Shirley
Charles W. Shirley, Secretary

WING CORPORATION

By: Murphy H. Baxter
Title President

Address: P. O. Box 2040
Midland, Texas 79702
Attn: Mr. Mike Miller

STATE OF TEXAS)
 : SS
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 2nd day of November 1987 by MURPHY H. BAXTER, as President of WING CORPORATION, on behalf of said Corporation.

My Commission Expires:
May 31, 1989

Nelda West
Notary Public
Nelda West, Notary Public for
The State of Texas



W.R. HUMPHRIES
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

September 16, 1988

9244
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

Yates Petroleum Corporation
Attn: Ms. Janet Richardson
105 South Fourth Street
Artesia, New Mexico 88210

Re: Lazy Tree State Unit Well No. 1,
Commercial Determination
Lea County, New Mexico

Gentlemen:

This office is in receipt of your letter of September 2, 1988, wherein, as unit operator of the Lazy Tree State unit you have determined that the Lazy Tree State Unit Well No. 1 is a commercial producer.

According to the data submitted, the Commissioner of Public Lands concurs with your determination that the Lazy Tree State Unit Well No. 1 is a commercial well and should be produced on a unit basis.

As per article 9 of your agreement, please submit a plan of development for the next twelve months period.

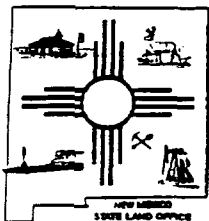
If we may be of further help please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: *F. O. Prando*
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm
encls.
cc: OCD
BLM
OGAD



State of New Mexico
Commissioner of Public Lands

#9244

W. R. Humphries
COMMISSIONER

April 30, 1990

Advisory Board

George Clark
Chairman

Kristin Conniff
Vice Chairman

Melvin Cordova

Joe Kelly

Robert Portillos

Nancy Lynch Vigil

Rex Wilson

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

ATTN: Ms. Janet Richardson

RE: Lazy Tree State Unit
1990 Plan of Development

Gentlemen:

The Commissioner of Public Lands has this date approved the 1990 Plan of Development for the Lazy Tree State Unit. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the Unit Area and the need for further development of the Unit may exist. You will be contacted at a later date regarding these possibilities.

Enclosed is an approved copy of the 1990 Plan of Development for your files. If we may be of further help, please do not hesitate to contact this office at (505) 827-5746.

Very truly yours,

W.R. HUMPHRIES,
COMMISSIONER OF PUBLIC LANDS

BY:

Floyd O. Prando
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5746

cc: OCD - Santa Fe, New Mexico
BLM
Unit Correspondence File
Unit P.O.D. File

WRH/FDP/SMH



JIM BACA
COMMISSIONER

#9244

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

December 9, 1992

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attention: Ms. Janet Richardson

Re: Termination of Lazy Tree State Unit

Dear Ms. Richardson:

This office is in receipt of your letter of December 3, 1992, together with more than 75% of the working interest owners requesting the Lazy Tree State Unit be terminated.

Please be advised that the Lazy Tree State Unit has this date been terminated effective December 3, 1992. Please advise all interested parties of this action.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File
OCD
TRD

Unit Name LAZY TREE STATE UNIT - EXPLORATORY
Operator YATES PETROLEUM CORP.
County LEA COUNTY, NEW MEXICO

OCB

DATE	OCC CASE NO. 9244	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-8535	11/30/87	4,638.37	4,638.37	-0-	-0-	STRICT	5 YEARS AND SO LONG AS
OCD: November 6, 1987								

UNIT AREA

TOWNSHIP T3 SOUTH, RANGE 32 EAST

Section 1: Lots 1,2,3,4,S $\frac{1}{2}$ NW $\frac{1}{4}$,S $\frac{1}{2}$, (All)
Section 2: Lots 1,2,3,4,S $\frac{1}{2}$ NW $\frac{1}{4}$,S $\frac{1}{2}$ (All)
Section 11: E $\frac{1}{2}$
Section 12: All

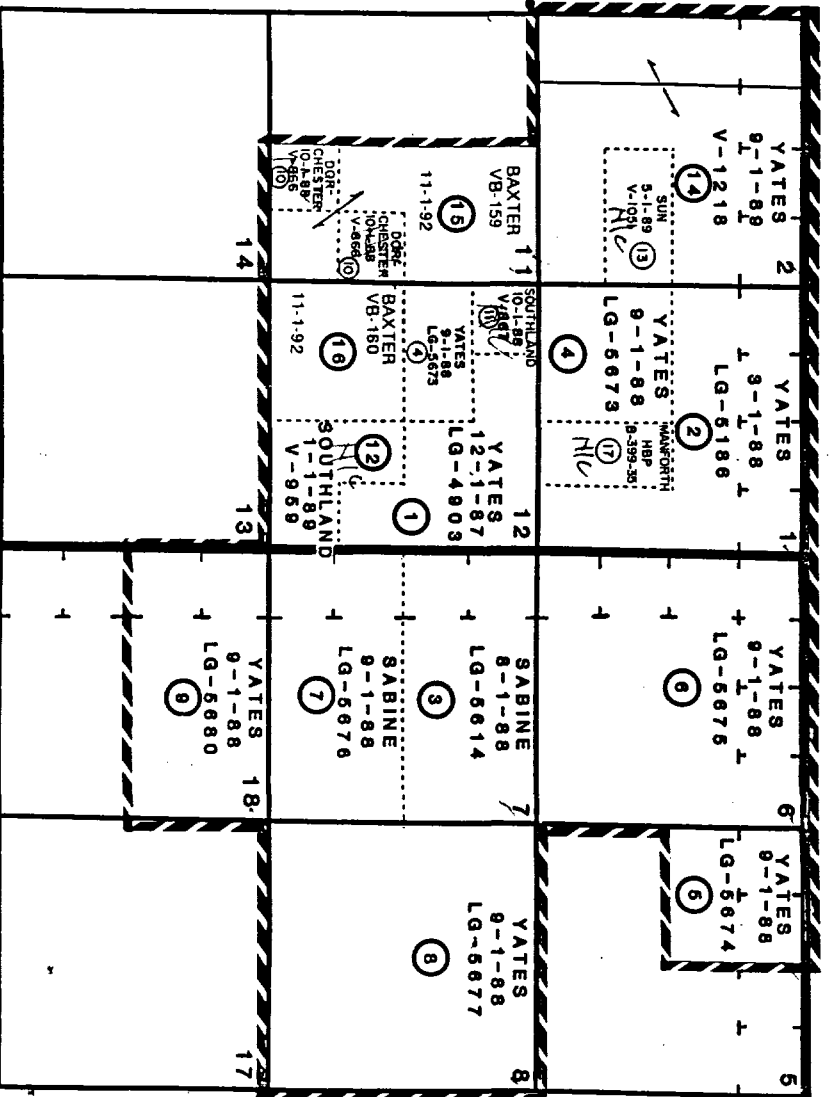
TOWNSHIP T3 SOUTH, RANGE 33 EAST

Section 5: Lots 3,4,S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 6: Lots 1,2,3,4,5,6,7,S $\frac{1}{2}$ NE $\frac{1}{4}$,SE $\frac{1}{2}$ NW $\frac{1}{4}$,E $\frac{1}{2}$ SW $\frac{1}{4}$,SE $\frac{1}{2}$, (All)
Section 7: Lots 1,2,3,4,E $\frac{1}{2}$ NW $\frac{1}{4}$,E $\frac{1}{2}$, (All)
Section 8: All
Section 18: Lots 1,2,E $\frac{1}{2}$ NW $\frac{1}{4}$,NE $\frac{1}{4}$

TERMINATED
EFFECTIVE DATE DEC 03 1992
APPROVAL DATE DEC 09 1992

R32E

R33E



TERMINATED
EFFECTIVE DATE DEC 03 1992
APPROVAL DATE DEC 08 1992

LAZY TREE STATE UNIT

LEA COUNTY, NEW MEXICO

EXHIBIT "A"

STATE LAND
TRACT NUMBERS
UNIT OUTLINE

YATES PETROLEUM

105 S. 4TH STREET
ARTESIA, NEW MEXICO

TERMINATED
EFFECTIVE DATE DEC 03 1992
APPROVAL DATE DEC 09 1992

TO Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract # Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner
1. T13S-R32E Sec. 12: NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ C-S.	240.00	LG-4903 12-1-87	State 1/8	Yates Petroleum Corporation	10-9-83 None	Yates Petroleum Corporation - 25% Yates Drilling/0.30-82 Company - 25% Abo Petroleum/0.4-83 Corporation - 25% Myco Industries/0.30-82 Inc. - 25%
2. T13S-R32E Sec. 14: Lots 1,2,3,4, S1N $\frac{1}{4}$, E1SE $\frac{1}{4}$	397.16	LG-5186 3-1-87	State 1/8	Yates Petroleum Corporation	10-9-83 None	Yates Petroleum/0.4-82 Corporation - 25% Yates Drilling/0.30-82 Company - 25% Abo Petroleum/0.4-82 Corporation - 25% Myco Industries/0.30-82 Inc. - 25%
3. T13S-R32E Sec. 7: Lots 1,2,NE $\frac{1}{4}$ E1NW $\frac{1}{4}$ C-S.	321.16	LG-5614 8-1-88	State 1/8	Sabine Corporation	10-9-83 1/16 Over-riding Royalty Interest Below 5000' Yates Petroleum/0.4-82 Sabine/0.5-82 Corporation	Surface to 5000' Sabine Corporation - 100% Below 5000' Yates Petroleum/0.4-82 Corporation - 50% Bass Enterprises/0.3-82 Production Company - 50%
4. T13S-R32E Sec. 1: SW $\frac{1}{4}$ Sec. 12: S1NW $\frac{1}{4}$ C-S.	240.00	LG-5673 9-1-88	State 1/8	Yates Petroleum Corporation	10-9-83 None	Yates Petroleum/0.4-82 Corporation - 25% Yates Drilling/0.30-82 Company - 25% Abo Petroleum/0.4-82 Corporation - 25% Myco Industries/0.30-82 Inc. - 25%

TERMINATED
EFFECTIVE DATE DEC 03 1992
APPROVAL DATE DEC 09 1992

TO Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessees of Record	Overriding Royalty	Working Interest Owner & Percentage
5.	T13S-R33E Sec. 5: Lots 3, 4, S1NW1	159.51	LG-5674 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 100% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycos Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
6.	T13S-R33E Sec. 6: Lots 1, 2, 3, 4, 5, 6, 7, S1NE1, S1NW1, E1SW1, SE1	641.78	LG-5675 9-1-88	State 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 12.5% Yates Drilling Company - 12.5% Abo Petroleum Corporation - 12.5% Mycos Industries, Inc. - 12.5% Bass Enterprises Production Company - 50%
7.	T13S-R33E Sec. 7: Lots 3, 4, E1SW1, SE1	320.60	LG-5676 9-1-88	State 1/8	Sabine Corporation	1/16 Over-riding Royalty Interest Below 5000'	Surface to 5000' - Sabine Corporation - 100% Below 5000' - Yates Petroleum Corporation - 50% Bass Enterprises Production Company - 50%

TERMINATED

EFFECTIVE DATE **DEC 03 1982**
APPROVAL DATE **MAY 10 1982**

TO Unit Agreement
LAZY TREE STATE UNIT
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty	Working Interest Owner & Percentage
8.	T13S-R33E Sec. 8: A11	640.00	LG-5677 9-1-88	State 1/8	F/C Yates Petroleum Corporation	None	Yates Petroleum 100% Corporation - 12.5% Yates Drilling 100% Company - 12.5% Abo Petroleum 100% Corporation - 12.5% Myco Industries, 100% Inc. - 12.5% Bass Enterprises 100% Production Company - 50%
9.	T13S-R33E Sec. 18: Lots 1, 2, NE1, E1NW1	320.00	LG-5680 9-1-88	State 1/8	F/C Yates Petroleum Corporation	None	Yates Petroleum 100% Corporation - 12.5% Yates Drilling 100% Company - 12.5% Abo Petroleum 100% Corporation - 12.5% Myco Industries, 100% Inc. - 12.5% Bass Enterprises 100% Production Company - 50%
10.	T13S-R32E Sec. 11: NE1SE1, SW1SE1	80.00	V-866 10-1-88	State 1/6	Dorchester Exploration Inc.	James M. Perkins, Jr. - .3% Robert K. Taylor - .6% David L. Sleeper - .6% Jerry B. Elger - .6% Larry R. Seng - .3% Frank G. Motyka, Jr. - .3%	Dorchester Master Limited Partnership - 100%

TERMINATED
EFFECTIVE DATE DEC 03 1992
APPROVAL DATE

LAZY TREE STATE UNIT
To Unit Agreement
Lea County, New Mexico

Tract #	Land Description	No of Acres	Serial No. & Exp. Date	Basic Ownership %	Royalty	Overriding Royalty	Working Interest Owner & Percentage
11.	T13S-R32E Sec. 12: NW1/4NW1/4	40.00	V-867 10-1-88	State 1/6, 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
12.	T13S-R32E Sec. 12: SE1/4, W1/4SE1/4	120.00	V-959 1-1-89	State 1/6, 1/6	Southland Royalty Company	None	Southland Royalty Company - 100%
13.	T13S-R32E Sec. 2: N1/4SE1/4	80.00	V-1051 5-1-89	State 1/6	Sun Exploration and Production Company	None	Sun Exploration and Production Company - 100%
14.	T13S-R32E Sec. 2: Lots 1, 2, 3, 4, S1/4N1/4, SW1/4, S1/4SE1/4	558.08	V-1218 9-1-89	State 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation - 70% Yates Drilling - 10.3-82 Company - 10% Abo Petroleum - 10.9-82 Corporation - 10% Mycro Industries, 10.3-82 Inc. - 10%
15.	T13S-R32E Sec. 11: NE1/4, NW1/4SE1/4, SE1/4SE1/4	240.00	VB-159 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% 11-2-82 Wing Corporation - 75% 11-2-82
16.	T13S-R32E Sec. 12: SW1/4	160.00	VG-160 11-1-92	State 3/16	Murphy H. Baxter	None	Murphy H. Baxter - 25% 11-2-82 Wing Corporation - 75% 11-2-82
17.	T13S-R32E Sec. 1: W1/4SE1/4	80.00	B-399-35 HBP	State 1/8	Manforth Production Inc.	None	Manforth Production - 2.17-82 Inc. - 50% Glen W. Karsten - 50% 2.17-82
TOTAL		4638.37	ACRES OF STATE LANDS				

SUBSEQUENT JOINDER
DATE 2-1-88

TERMINATED

EFFECTIVE DATE DEC 03 1992
APPROVAL DATE DECEMBER 1992