CASE 7006: HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AREA, LEA COUNTY, NEW MEXICO

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CASE NO. 7006 APPIICATION, Transcripts, Small Exhibits, ETC.

			Uperator _	HARVEY E. YATT	15		(1, 2, 2, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3, 3,
			County	LEA COUNTY, NE	EW MEXICO		
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	DATE APPROVED	OCC CASE NO. 7006 OCC ORDER NO. R-6471	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SE XXXDIAN+FEE
	COMMISSIONER	COMMISSION	10/20/80	1,279.93	640.00	-0-	639.93
	10-20-80	9-11-80					

NUMBER D NUMBER

Unit Name

NORTHWEST GLADIOLA UNIT- EXPLORATORY

UNIT AREA

TOWNSHIP 11 SOUTH, RANGE 37 EAST, NMPM Section 36: All

TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM Section 1: All



Unit Name	NORTHWEST GLADIOLA UNIT- EXPLORATORY			
Operator _	HARVEY E. YATES			
County _	LEA COUNTY, NEW MEXICO			
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					Unit Name Operator County	NORTHWEST G HARVEY E. Y LEA COUNTY,					
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	.	Unit Name Operator County	NORTHWEST GLADIO HARVEY E. YATES LEA COUNTY, NEW M	LA UNIT-EXPLORATORY				
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State of New Mexico



Commissioner of Public Lands

July 20, 1981

P. O. BOX 1148

Harvey E. Yates Company P. O. Box 1933 Roswell, New Mexico 88201

> Re: Proposed Northwest Gladiola Unit Lea County, New Mexico

7006

TERMINATED

ATTENTION: Ms. Carlyn M. Jarm

Gentlemen:

The Northwest Gladiola Unit, Lea County, New Mexico, was approved October 20, 1980, effective as of the same date. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than 6 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.

Your first exploratory well was completed as a dry hole, therefore, your second test well was due to of been commenced July 17, 1981, which is six months from the date the Well No. 1 was tested. Inasmuch as the second test well was not commenced, the Northwest Gladiola Unit agreement is considered to have terminated automatically by the terms of the agreement as of July 17, 1981.

Please notify all interested parties of this action.

Very truly yours,

ALEX J. ARMIJO COMMISSIONER OF PUBLIC LANDS

BY: RAY D. GRAHAM, Director Oil and Gas Division AC 505-827-2748

AJA/RDG/s cc: OCD-Santa Fe, New Mexico



ALEX J. ARMIJO



ALEX J. ARMIJO COMMISSIONER

State of New Mexico

Commissioner of Public Lands October 20, 1980

P. O. BOX 1148 SANTA FE, NEW MEXICO 87501

Harvey E. Yates Company P. O. Box 1933 Roswell, New Mexico 88201

Re: Proposed Northwest Gladiola Unit Lea County, New Mexico

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ATTENTION: Ms. Carlyn M. Jarm

Gentlemen:

The Commissioner of Public Lands has this date approved the Northwest Gladiola Unit, Lea County, New Mexico.

Enclosed are Five (5) Certificates of Approval. Your Forty (\$40.00) Dollars filing fee has been received.

The effective date is October 20, 1980.

Very truly yours,

ALEX J. ARMIJO COMMISSIONER OF PUBLIC LANDS

BY: RAY D. GRAHAM, Director Oil and Gas Division AC 505-827-2748

AJA/RDG/s encls. cc:

OCD-Santa Fe, New Mexico /____

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PETROLEUM PRODUCERS

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING 505/623-6601 ROSWELL, NEW MEXICO 88201

HARVEY E. YATES COMPANY

7006

October 27, 1980

Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

> Re: Northwest Gladiola Unit Lea County, New Mexico

Gentlemen:

Enclosed please find a copy of the State approved Unit Agreement covering the Northwest Gladiola Unit, Township 11 South, Range 37 East, and Township 12 South, Range 37 East, Lea County, New Mexico. This Agreement is to be filed with Case No. 7006, Order No. R-6471.

Yours truly, arm Carlyn M. Jarm

Land Department

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CJ/lhc

G-14 #26 Enclosures

OCT 2 8 1980 OIL COMSERVATION DIVISION SANTA FE



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO NORTHWEST GLADIOLA UNIT

LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated <u>July 25, 1980</u>, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall "remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 20th. day of OCTOBER , 19 80



COMMISSION of the State of New Mexi

OIL COMSTRVATION DIVISION SANTA FE

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UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

NORTHWEST_GLAD	IOLA UNIT AREA	
LEA	COUNTY, NEW	MEXICO
No.	20 1 - 1 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -	
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THIS AGREEMENT, entered into as of the <u>25th</u> day of <u>JUEY</u> 1980 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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WHEREAS, the parties hereto are the owners of working, royalty, or other oll 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 or 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 of 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 <u>Northwest</u> <u>Gladiola</u> 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 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. <u>UNIT AREA</u>: The following described land is hereby designated and recognized as constituting the unit area:

Township 11 South, Range 37 East, N.M.P.M. Section 1: All

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Township 12 South, Range 37E, N.M.P.M. Section 36: All

Containing 1279.93 acres, more or less,

LEA County, New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity 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: Harvey E. Yates Company , whose address is Suite 300, Security National Bank Building P. O. Box 1933, Roswell, New Mexico 88201 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 working interest when such an interest is owned by it.

4. <u>RESIGNATION OR REMOVAL OF UNIT OPERATOR</u>: 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 Morein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

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9 0 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 new duly qualified successor unit operator, or to the owners thereof if no such new unit operator 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. <u>SUCCESSOR UNIT OPERATOR</u>: 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

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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 this unit agreement and the operating agreement, this unit agreement shall prevall.

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7. <u>RIGHTS AND OBLIGATIONS OF UNIT OPERATOR</u>: 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 the 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.

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8. DRILLING TO DISCOVERY: The unit operator shall, within one hundred twenty (120) days after the effective date of this agreement, commence operations upon an adequate test well for oll and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficlent to attain the top of the Mississippian formation or to such a depth as unitized substances shall be discovered in paying quantitles 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 drlll said well to a depth in excess of 12,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs 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.

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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 unifized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of completion of the initial discovery well and within thirty days after the expiration of each twelve

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month 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 month period, such plan of contemplated development to be

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approved by the Commissioner and the Division. 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 unltized 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 rea-

If the unit operator should the state of New Mexico embracing undeveloped regular well spacing or prolands 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 any 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, falling in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration

unlts. 10. <u>PARTICIPATION AFTER DISCOVERY</u>: 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 leasewhich interests covered hereby on an acreage basis bears to the total number of acres hold interests covered hereby on an acreage basis bears to the total number of acres hold 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.

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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 f substances allocated to the respective leases committed hereto; provided, however, f the State shall be entitled to take in kind its share of the unitized substances f allocated to the respective leases, and in such case the unit operator shall make f deliveries of such royalty oil in accordance with the terms of the respective leases, f

All rentals, if any, due under any leases embracing lands other than the (E 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.

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i4 55 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 practices; 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 each 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 DANDS 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 sald leases and agreements will be extended insofar as necessary to coincide with the term 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 effect 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 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 offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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Any lease embracing lands of the State of New Mexico having only a portion of its lands 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 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 in such lease, if oll 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 committed to this agreement at the expiration of the secondary term of such lease, or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oll or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. <u>CONSERVATION</u>: 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. <u>DRAINAGE</u>: 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. <u>COVENANTS RUN WITH LAND</u>: 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 two 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 can be 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 the Division. Likewise, the fallure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

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

19. <u>APPEARANCES</u>: Unit operator shall, after notice to other parties affected have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal

-10-

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 incerest party shall also have the right 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 postpald 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.

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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 dillgence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials 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

-11-

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 or revenue.

24. <u>COUNTERPARTS</u>: 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 partles 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

A'ITEST:

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Secretary Assistant

DATE: July 25, 1980

STATE OF NEW MEXICO

COUNTY OF CHAVES

HARVEY, E. YATES COMPANY Geoty M.)Yates, Vice President

CARLYN M. JARM

The foregoing instrument was acknowledged before me this 25th day of 65 July , 1980, by GEORGE M. YATES, Vice President of HARVEY E. YATES COMPANY, a New Mexico Corporation, on behalf of said corporations

My Commission Expires:

March 26, 1983

Notary Public Notary Lond fill With SEC

EXHIBIT "A"

NORTHWEST GLADIOLA UNIT

All - Section 36: T-11S, R-37E, N.M.P.M. All - Section 1: T-12S, R-37E, N.M.P.M.

LEA COUNTY, NEW MEXICO



STATE OF NEW MEXICO LANDS: (640.00 Acres) - 50.002% of Unit PATENTED (FEE) LANDS: (639.93 Acres) - 49.998% of Unit TOTAL ACRES IN UNIT: 1279.93

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				EXHIBIT "B"	An	1000 A
3		SCHEDULE SHOWI	NORT	AND KIND OF OWNERSHIP HWEST GLADIOLA UNIT COUNTY, NEW MEXICO	OF OIL AND GAS INTER	ESTS
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE
TOWNSHI	IP 11 SOUTH, RANGE 37 EA					
1	Sec. 36: All	640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc.
					•	R. C. Smith .25%
CTATE O	NELL MEVICO I ANDS · 64	0 0 Agree (50 00	27 of Unit)			
	DF NEW MEXICO LANDS: 64 SD (FEE) LANDS: -		2% of Unit) TH, RANGE 37 EAST,	N.M.P.M.		
				N.M.P.M. Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	Corbett Petro75% leum, Inc.
	ED (FEE) LANDS: -	TOWNSHIP 12 SOU	<mark>TH, RANGE 37 EAST,</mark> Fee	Mettie L. Mea- dows Seymour		Corbett Petro75% leum, Inc.
	ED (FEE) LANDS: -	TOWNSHIP 12 SOU	<u>Fee</u> 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman Wallace,	Company 100% Harvey E. Yates	Corbett Petro75% leum, Inc. R. C. Smith .25% W. T. Wynn .50%
	<u>SD (FEE) LANDS:</u> - Sec. 1: NW{SE} Sec. 1: Lot 1,	<u>TOWNSHIP 12 SOU</u> 40.0	<u>Fee</u> 12-7-84	Mettie L. Mea- dows Seymour All - 15.62%	Company 100% Harvey E. Yates Company 100%	Corbett Petro752 leum, Inc. R. C. Smith .252
	<u>SD (FEE) LANDS:</u> - Sec. 1: NW{SE} Sec. 1: Lot 1,	<u>TOWNSHIP 12 SOU</u> 40.0	<u>Fee</u> 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman Wallace, Indiv. & as Per- sonal Representative for Est. of Fred O. Wallace, dec. Ida Mae Stevenson	Company 100% Harvey E. Yates Company 100%	Corbett Petro755 leum, Inc. R. C. Smith .255 W. T. Wynn .505 Corbett Petro755 leum, Inc.
	<u>SD (FEE) LANDS:</u> - Sec. 1: NW{SE} Sec. 1: Lot 1,	<u>TOWNSHIP 12 SOU</u> 40.0	<u>Fee</u> 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman Wallace, Indiv. & as Per- sonal Representative for Est. of Fred O. Wallace, dec. Ida Mae Stevenson	Company 100% Harvey E. Yates Company 100%	Corbett Petro755 leum, Inc. R. C. Smith .255 W. T. Wynn .505 Corbett Petro755 leum, Inc.

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		THWEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTERES AND PERCENTAGE
N.M.P.M	STATE OF NEW MEXIC	CO LANDS			2 1
\$40.0	v-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc 7.5% Fred G. Yates Inc. 7.5%
					Explorers Petro- leum Corp, 7.5%
Acres (50.0	002% of Unit)				
SHIP 12 SO	UTH, RANGE 37 EAST,	N.M.P.M.		3 3	
40.0	Fee 12-7-84	Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7,5%
80.0	Fee 10-23-84	Herman Wallace, Indiv. & as Per- sonal Representative for Est. of Fred O. Wallace, dec. Ida Mae Stevenson 15.625%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

		SCHEDULE SHOW	ING THE PERCENTACE	EXHIBIT "B" AND KIND OF OWNERSHIP	OF OIL AND CAS INTER	RESTS	
			NORT	HWEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WO
PATENTED	(FEE) LANDS:		32				
4	Sec. 1: Lot 2, SW{NE}, E\\$SE SW\\$SE\	199.99 Gross (20.0 Net)	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harv Comp Spir Fred
							Expl leum
4 .	Sec. 1: Lot 2, SW4NE4 E45E4, SW4SE4	199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harv Comp Spir Fred
							Expl leum
4	Sec. 1: Lot 2, SW4NE4 E2SE4, SW4SE4	199.99 Gross (160.0 Net)	Fee 10-23-84	Herman Wallace, Indiv. & as Per- sonal Representative for Est. of Fred O. Wallace, Dec., Ida Mae Stevenson	Harvey E. Yates Company 100% e	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harv Comp Spir Fred Expl

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	CHEDULE SHOW			OF OIL AND GAS INTERE	<u>STS</u>	
			WEST GLADIOLA UNIT COUNTY, NEW MEXICO			
ND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTERES AND PERCENTAGE
(ne‡, (se‡	199.99 Gross (20.0 Net)	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro-
NE‡ (SE¥	199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	leum Corp. 7.5% Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
NB¥ SB¥	199.99 Gross (160.0 Net)	Fee 10-23-84	Herman Wallace, Indiv. & as Per- sonal Representativ for Est. of Fred O. Wallace, Dec., Ida Mae Stevenson 15.625%		W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

		SCHEDULE SHOWI		AND KIND OF OWNERSHIP	OF OIL AND GAS INTER	ESTS	
				WEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYA AND PERCENTAGE	ALTY
PATENTED	(FEE) LANDS:						
4	Sec. 1: Lot 2, SW{NE}, E\se SW\SE\	199.99 Gross (10.0 Net)	Fee 10-23-82	Winford Carlile All - 18.75%	Harvey E. Yates Company 100%	leum, Inc.	.50% H .75% C .25% F
							E 1
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (16.0 Net)	Fee 10-23-84	Herman Wallace, Indiv. & as Per- sonal Representativ for Est. of Fred O. Wallace, Dec., Ida Mae Stevenson		Corbett Petro- leum, Inc.	.50% H .75% C .25% F
				15.625%			\sim 1
5	Sec. 1: Lots 3 & 4, SźNW4, SW4	319.94 Gross (76.0 Net)	Fee 10-23-84	Virgil V. Wallace All - 15.62%	Harvey E. Yates Company 100%	Corbett Petro- leum, Inc.	.50% H .75% C .25% F

		WEST GLADIOLA UNIT OUNTY, NEW MEXICO			
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
199.99 Gross (10.0 Net)	Fee 10-23-82	Winford Carlile All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
319.94 Gross (16.0 Net)	Fee 10-23-84	Herman Wallace, Indiv. & as Per- sonal Representativ for Est. of Fréd O. Wallace, Dec., Ida Mae Stevenson 15.625%		W. T. Wynn .50% Corbett Petro75% leum, Inc R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
319.94 Gross (76.0 Net)	Fce 10-23-84	Virgil V. Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp 7.5%

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- 	 March 1997 March 1997			EXHIBIT "B"	,		
		SCHEDULE SHOWIN	IG THE PERCENTAGE AN		OF OIL AND GAS INTERES	STS	
			NORTH	NEST GLADIOLA UNIT DUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	
PATENTI	ED (FEE) LANDS:	and the second second second					
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	Mary Irene Dean All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inć. R. C. Smith .25%	Han Con Sp: Fre Ex Lev
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Clarence Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Han Con Spi Fre Exp leu
5. Ə	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Donovan Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Har Con Spi Fre
						.	Bxp leu

PATENTED (FEE) LANDS; 639.93 Acres (49.998% of Unit)



HEDULE SHOW	ING THE PERCENTAGE A	EXHIBIT "B" ND KIND OF OWNERSHIP	OF OIL AND GAS INTER	ESTS	
		WEST GLADIOLA UNIT OUNTY, NEW MEXICO			
NIDGED	OTATE I BACE NO	BASIC ROYALTY	LESSEE OF RECORD	OUEDDIDING DOULT TH	
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALIY AND PERCENTAGE	AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
319.94 Gross (76.0 Net)	Fee 10-23-84	Mary Irene Dean All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Compiny 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County Trustee for Clarence Wallace All - 15.62%	Harvey E. Yates , Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inć. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp 7.5%
319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County Trustee for Donovan Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro75% leum, Inc. R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

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res (49.998% of Unit)

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LEASE NO. V-219

APPLICATION NO. V-219

OIL AND GAS LEASE

THIS AGREEMENT, dated this the <u>1ST</u> day of <u>JANUARY</u>, A.D., 19<u>80</u>, made and entered into by and between the state of New Mexico, acting by and through the undersigned, its commissioner of public lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and

HARVEY E. YATES COMPANY

BCX 1933, ROSWELL, NEW MEXICO 88201

party of the second part, hereinafter called the "Lessee", whether one or more, WITNESSETH:

WHEREAS, the said lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WITEREAS, all of the requirements of faw relative to said application and tender have been duly complied with and said application has been approved and allowed by the commissioner of public lands;

THEREFORE, for and in consideration of the premises as well as the sum of SIXTY THOUSAND AND

N0/100------Dollars (\$ 60,000.00

the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt

No._______ and of the further sum of \$10.00 filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lesser has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lesser, exclusively, for the sole and only purpose of exploration, development and production of oil or gais, or both therein and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royally by the lessor under the terms of this lease, together with rights of-way, easements and servitudes for pipelines, telephones and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to puli all casing, subject, however, to the conditions hereinafter

set out, the following described land situated in the county of _______ LEA ______, state of New Mexico, and more particularly described as follows:

10	SUBDIVISION	Sec.	Twp.	Rgo.	Acres	Institution
	A11	36	115	37E	640.00	c <i>.</i> s.
						a Sana Sana Sana Sana Sana Sana Sana San
	08. HH					
,	13 9 07 AM '80 23 9 07 AM '80				3	
8	STATU 23					
 9		-		• • • • • • • • • • • • • • • • • • •		

Reserving to the Lessor a continuing option to purchase at any time and from time to time; at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

And further reserving to the Lessor the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights of way and easements for these purposes.

FORM 5-77

Said lands having been awarded to tessee and designated as Tract No. <u>V-0-1</u>

4 a public sale field by the commissioner of

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

15 Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty not less than one-eighth nor

2. Subject to the free use without royalty, as bereinbefore provided, at the option of the lessor at any time and from time to time, the

lessee shall pay the lessor as royalty not less than one-eighth nor more than one-sixth, to-wit, 1/6. part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor the lessee shall

pay the lessor as royalty not less than one-eighth nor more than one-sixth, to-wit, <u>1/6</u> of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents (5.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of ten ounces above an assumed atmospheric pressure of fourteen and four-tenths pounds per square inch, or fifteen and twosty-five-thousandths pounds per square inch absolute, at sixty degrees Fahrenhölt, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of sixty degrees Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the safe of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the tessor, acting by its commissioner of public lands, may require the payment of royalty for all or any part of the gas produced and saved under this tease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value to any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall determine such gas (to necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the hands embraced herein where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred doltars (\$100) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shiftin and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is heing marketed from said lease-hold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the tessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this tease from year to year, by the payment or tender of the further rental hereinafter provided for.

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars (\$10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessir, or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The tessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of tess than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assigner with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assigner to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land draining the teased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so juid unless and until the lesses or his assignce shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor decms it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lesser, the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing froin any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisified. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

¹ 13. Upon failure or default of the tessee or any assignce to comply with any of the provisions or convenants hereof, the tessor is hereby authorized to cancet this tease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the tessee or assignce so defaulting, but shall not extend to, nor affect the rights of any other tessee or assignce claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the tessor shall mail to the tessee, or assignce so defaulting, by registered or certified mail, addressed to the post office address of such tessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation and office. cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term 14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee or any assignee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be niade by the lesser to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good If during the drilling of reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drift the same with due diligence. Operations commenced and continued as herein provided shaft extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while the lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so iong as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirly days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the fessor every thirty days, and the cessation of such operations for more than twenty consecutive days, and the cessation of such so the lesser within thirty days after the cessation of such operations shall be filed with the lessor within thirty days, and the cessation of such operations for more than twenty consecutive days, and the cessation of such operations for more than twenty consecutive days after the cessation of such operations for more than twenty consecutive days and the censidered as an abandonment of such operations and this thereas that thereas the status of such operations and the censidered as an abandonment of such operations and this the such operations as an abandonment of such operations and this thereas that thereas the status of such operations as an abandonment of such operations and the cessation of such operations as an abandonment of such operations and the cessation of such operations and the cessatis operations a operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this tease shall thereupon terminate.

16. All terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto,

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seat of his office affixed, and the lessee has signed this agreement the day and year first above written.

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(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

My commission expires:

STATE OF.....

33. COUNTY OF as attorney-in-fact in behalf of

Notary Public

.., by

My commission expires :		Notary Public	
	(ACKNOWLEDGMENT BY COR	PORATION)	t de la companya de l
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George IL Yatea		HARVEY E. YATES COMP	ANY
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Cillin Kill Lin Alice L. BlissNotary Public ton expires :..... July... 3,.... 1981.

-	EEMENT made this 23rd day	October			•-
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4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this leave shall terminate

rental of s *See Paragraph 12 before one (1) year from this date lessee shall pay as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of s *See Paragraph 12 which shall cover the privileye of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the ____ See Rental Division Order

All second and the second for the bestor and lessor's heirs and assigns. If such bank for any successor banks shall fail or refuse to accept rental, losse shall not be held in default until thirty (30) days after lessor shall deliver to lesses a recordable instrument making provision for annother acceptible method of paynett or tender, and any depusitory charge is a linkility of the lessor. The paynett for the back in default until thirty (30) days after lessor shall deliver to lesses a recordable instrument as a more than the response to a shall be exceeded by avoided by have to the shall be exceeded by avoided by have after descendent to make exceeded by avoided by have a set encessary to enable the second by the lessor. The paynet to the shall be exceeded by avoided by have a set encessary to enable the second by the second and the second and the paynet by the back is and the shall be determined by the second by the paynet of the second by the seco

thereafter as on or gas is produced hereunder. T. Losse shall have free use of oil, gas and water from said land, except water from hostor's wells and tauks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lesses shall have the right at any time during or after the expiration of this losse to remove all property and fixtures placed by lesses or said land, including the right to draw and remove all casing. When required by lessor, bases will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's con-sent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

sent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
8. The rights of either party becenning may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rents, royalties or payments. However, lessee are the obligations or diminish the tights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified to the decased or his estate in the depetitory bank until such time as lessee has been furnished by certified to such as a payments to the persons entitied to such as a pay of the decased or his estate in the depetitory bank until such time as lessee has been furnished by certified to such as a state in the depetitory bank until such time as lessee has been furnished by certified to such as a state in the depetitory bank until such time as lessee has been furnished with ereintals, royalties or payments to the credit of the decased or his estate in the depetitory bank until such time as lessee has been furnished with ereintably estimated by the shall not affect the rights of other lessechold owners rates and the suchas in which or in such change in sole of any obligations hereunder, and if lessee or assignment of this lease, in whole or in part, shall fail or make default in rents assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignment or parts hereof shall fail or make default in the payment is in so far as it covers a part of asid fands upon which lessee or any assignee of part tor parts hereof shall fail or make default in the payme

hing in this lease to the contrary notwithstanding. 10. Lessor hereby warrants and agrees to defend the litle to said land, and agrees that leasee, at its option, may discharge any tax, upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and under toward satisfying same. Without impairment of leasee's rights under the warranty, if this lease covers a less interest in the oil or of said land, thin the entire and undivided fee simple estate (whether lessor's interest in herein specified or not) then the royalties, shu other paynimits, if any, accruing from any part as to which this lease covers? Less than auch full interest; shall be paid only in the part rest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the part rest fail to execute this lease, it shall neverthelease be binding upon the party or parties executing the same. sence and apply rentals and royallies accruing loss interest in the oil or gas in all or any not) then the royaltics, shut-in royalty, rental, all be paid only in the proportion which the rest: shall be paid only in the propurtion which the Should any one or more of the parties named above as

By :

Asst. Cashier

TRUSTEE FOR DONOVAN D. WALLACE

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1 D'BOUX 321 PACE 226

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of October FIRST NATIONAL BANK OF LEA COUNTY, TRUSTEE FOR CLARENCE C. WALLACE

(Post Office Address)

.370

hebein called lessor (whether one or nore) and HARVEY E. YATES COMPANY, P. O. Box 1933, Roswell, NM 88201 1. Lessor, in consideration of TEN AND OTHER OOLLARS in hand pail, receipt of which is here acknowledged, and of the royaltics herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets eachsively unto lessee for the purpose of investigating, exploring, prospecting, failing, and operating for and producing oil and gas, herein to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in County, New Mexico, to-w

Township 12 South, Range 37 East, N.M.P.M.

Section 1: Lots 3, 4, S/2 NW/4, SW/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320.0 comprises more or less.

2. Subject to the other provisions herein contained, this lease aball remain in force for a term of EIVC years from this date (called "primary term"), and as song thereafter as oil or gas, is produced from said land or land with which said land is produced.

Subject to the other provision a nervi contained, this tense stain remain in sorce for a torn of the VC years from this date frained primary term), and as long thereafter as oil of gas, is produced from said land or land with which said land is pooled.
 The royalties to be paid by lessee are: (n) on oil, and on other liquid hydroarbons saved at the well. 5/32 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; this on gas, including cashinghead gas and all gase out substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other project thereform, the market velue at the mouth of the well of 5/32 of the gas so sold or used off the premises or in the manufacture of gasoline or other project thereform, the market velue at the mouth of the well of 5/32 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 5/32 of the annuant realized from said tand, or hand pooled therewith, but gas and/or condensate well on said land, or land pooled there will is shut in, and thereafter at annual interval, to see may pay or tender an advance annual shut-in covalty equal to the lease of premises in paying dual of the party or patient hore to an old the real or so long as and lay the sole of the party or patient here the payment or tender, and so long as and all gas and all well is shut in, and thereafter at annual interval, to be party making such take in solong and long and there is a boal or used of the party or patient hereafter at an advance annual shut-in covalty equal to the lessed premises in paying quantifier. And have and or more the real of the paying or tendered that gas is being produced from the lessed premises in paying quantifier.
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as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor n rental of see Paragraph 12 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

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By:

Asst. Cashier

TRUSTEE FOR CLARENCE C. WALLACE

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STATE OF NEW MEXICO, BOOK 321 PAGE 227 County of INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this ______ day of______ 19_____ by _____ My Commission expires_____, 19_____, STATE OF NEW MEXICO, Notary Public County of_____ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ day of_____ 10_____ by _____ an na sanan na manana ang kanana na mang na mang na mang na kanana na kanana na sa s My Commission expires_____ _____, 19_____ STATE OF NEW MEXICO. Notary Public County of___ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ 19_____ by ____ ____ day of____ My Commission expires ____, 19____ STATE OF Notary Public County of _____ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ day of _____ K My Commission 'expires.... --- 19 1100 Notary Public record on STATE COUNTY No. I hereby certify duly recorded in 2 Acres OF NEW OF. ds of said OIL AND GAS LEASE NEW MEXICO MEXICO Book 32/ at this instrumen FROM 5 S TOOOT .County, Range. New filed for Mexico and STATE OF NEW MEXICO County of_ LEA CORPORATION ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this____ by_ Lucille Dailey _day of ____October of FIRST NATIONAL BANK OF LEA COUNTY Trust Adaloistration=OfficeRowskikk on behalt of said corporation. B OFFICIAL SEAL My Commission Expires:____ Signature Constine Salles -corporation STATE OF NOTARY BOILD FILLD WITH SECRETARY OF BIAIL NOTARY BOILD FILLD WITH SECRETARY OF BIAIL CORPORATYON ACKNOWLEDGMENT (New Mixico Short Form) 3<u>3</u>3 NOTARY PUBLIC NEW MERICO Notary Public County of____ The foregoing instrument was acknowledged before me this _____ Sy. -----day of__ --- . 19_ on behalf of said corporation. ___ President My Commission Expires: a _____ corporation A COMPANY Notary Public a ministration of the black of A STATE

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Printed animalate by Hall-Poorbaugh Press, Inc., Roswell, N. M rjoaucers 00- irroducer's Revised 19671 (New Merico) form 312.0 BOOK 321 MOL 228 OIL & GAS LEASE

THIS AGREEMENT mode this _______ 23rd day of ______ October ______

Mary Irene Dean, dealing in her sole and separate estate.

(Post Office Address)

herein called lessor (whether one or more) and HARVEY_E._YATES_COMPANY, ...P.O.BOX_1933, ROSWell, N.M. 88201..., lessee: 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the regardles herein provided and of the agreements of the lessee herein contained, hereby grants, lesses and lets exclusively into lesser for the purpose of investigations, exploring, properties, drilling, and operating for and producing oil and use, injecting gas, waters, other fluids, and air into subsurface stratus, taying pipe lines, storing oil, building traks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following discribed land in _____ Lea ____ County, New Mexico, to-wit ;

Township 12 South, Range 37 East, N.M.P.M.

Section 1: Lots 3, 4, SYNW's and SW's (being the W's)

For the purpose of calculating the rental phyments hereinafter provided for, said land is estimated to comprise 320.0 nerce, whether it actually comprises more or less.

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ *See_Paragraph_12_ which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like diamner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

See Rental Division Order or tender may be made to the lessor or to the credit of the lessor in the _____

6. If prior to the discovery of oil or gas hereander, leave shall be conformed to the unit agreement.
6. If prior to the discovery of oil or gas hereander, leave should drill and abandon a dry lude or holes hereander, or if after discovery of oil or gas the production thereof about creating the discovery of oil or gas hereander, leave shall not terminate if leave reworking or additional drilling operations within 60 days the production thereof about creating on g before the rental paying date meat ensuing after the exprision of the opportunity protection of reads or commences preventing or additional drilling operations within 60 days thereafter and diligently protected the same, or (if it be within the primary term) commences reworking or additional drilling operations within 60 days thereafter and diligently protected the same, or (if it be within the primary term) commences or resumes the paynent or, tender of rentals or commence operations for drilling or reworking on g before the rental paying date next ensuing after the expiration of three months from date of abandoment of said dry hole or holes or the constant of any first ensuing of the three abandoment of as is not being produced but leave is the ensuing of any well, this teave shall neemain in force so long as such operations are diligently protecuted with no costation of gove that; do yer ensue the said operations then within 30 days after the abandomment of said operations leave mother well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereander, and there diligent drill the same produced bere index.
7. Leaves shall have for all paying or for drilling er graving operations. Leave there from the event wells and tave for all protected and the readily after the availy.

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Mary frone Dean

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ATE OF NEW MEXICO		CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)
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behalf of said corporation. Commission Expires:		a de la compañía de l Este de la compañía de	Notary Public
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D 800X	321 PAGE	230	OIL & (GAS LEAS	E		
า้ากร	AGREEMENT IN	nde this _23rd do	y of	:tober		19.79, between	
	Virgil V	. Wallace, de	aling in his sole	e and separ	ate estate	ويو در و مر من من من من من من من مر مر مر مر م	
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of (Part Office Address)

herein called lessor (whether one or more) and HARVEY, E., YATES_COMPANY, P., O. BOX 1933, ROSWell, N.M. 88201, tessee 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royallies herein provided and of the agreements of the lessee herein contained, breely grants, leases and fets exclusively unto lessee for the purpose of investigating, exploring, prospecting of the agreements of the lessee herein contained, breely grants, leases and fets exclusively unto lessee for the purpose of investigating, exploring, prospecting of thing, and operating for and producting oil and gas, injecting gas, waters, other fluids, and air into autosurface strata, laying pipe lines, storing oil, building tanks, toadways, telephone lines, and other structures and things therein to produce, save, take care of, treat, process, store and transport said mine is the

Township 12 South, Range 37 East, N.M.P.M.

Section 1: Lots 3, 4, SANWA and SWA (being the Why)

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320.0 acres, whether it actually comprises more or less,

To the purpose of factometric the relative payments nertinative provided for, shill and is estimated to comprise $-\frac{242}{20}$, $\frac{22}{20}$, $\frac{22}{20}$, whether it actually comprises more or less. 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of £1Ve years from this date realled "primary term"), and as long thereafter as oil or gas, is produced from said and or land with which said hand is pooled. 3. The royalize to be puild by lessee are: (a) on oil, and on other liquid by discorbons saved at the well. 5/32 of that produced and saved from said land, and is pooled. 3. The royalize to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including easinghead gas and all gaseous substances, produced from said land, and out used off the premises or in the manufacture of gasoline or other preduct thereform, the market value at the wells of 5/32 of the gas an old or used off the premises or in the manufacture of gasoline or other preduction thereform, the market value at the well is shut in, and thereafter at anomal intervals. Herewith, but gas and/or condensate is not being as old or used and such well is shut in, either before or after produced not being as old or used off use well wells in a way time when this lense is not validated by other provisions hereof and where is a gas und/or condensate well on a being as old or used and such well is shut in, either before or after produced from when the remained intervalse at the real factor in the remained well wells is shut in, and thereafter at anomal intervals. Bessee may gay or torder an advance annual shut-in royalty equal to be average the here herein here under this lense by the party making since payment or tender, and as long as said shut in royalty is paid or tendered to the party or parties whethe would be articled, and so long as said shut in royalty is paid or tendered this lease shall hot terminate and it will be considered under all

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lesses shall pay or tender to the bestor a cental of s * See Paragraph 12 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lossor in the _____ See Rental Division Order_____

First National Bank of Donna, Co. Box 336 - Hatch, N.M. 87937

projer payment had been marke; provided, basever, lesses shall correct such error within thirty (30) days after lesses has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lesses to make proper payment. 2. Lesse is hereby granted the right and power, from time to time, to pool or combine this tense, the land covered by it or any part or horizon thereof with any other land, lesse, lenses, mineral extites or parts thereof for the production of oil or gas. Units probed leavennets shall not exceed the standard proration unit fixed by law or by the New Mexico GI conservation. Onumission or by other hawfu authority for the pool or area in which as disclosed of the standard of the other or after the completion of wells. Drilling operations on or production from may part of any such unit small be considered for all part poses, except the payment of forgality, as operations conducted upon or preduction of road lever of after the completion of works, including the payment or delivery of royality, the land covered have and unit that parties of the total production of pooled minerals from wells in the unit, after the completion of surface arcs in the land covered by this leave included in the unit bars to the total number of surface arcs in the land covered by lasse as any part or delivery of royality, the tax is indicated in the distributed of and purposed. Included in sub unit, the second any portion of a and y have described in any such in the second and part of any such the terms of the leave of any form the part of any such described in any such the distributed and the distributed from said land under the terms of the distributed for any part of any such described in the said on in the second vertice and the mater and the part of any such as approprint to the posterion of said land under the terms of the discover of the considered for all purposes. Include in any such and proprint instrument in the Connet with the distributed any part of the cho

The while to complete will operations there within 30 days after the shadonment of said operations here may commence anoher well and drill the same with operations here will in production, then this lease shall have the result of an operations here well in production, then this lease shall have the result of an operations here well in production, then this lease shall have the provident start of the test of anows all products and the result of an operations here well in production, then this lease shall have the provident start of the test of anows all products and the result of an operations here wells and the start of the test of anows all products and the result of an operations of the test of anows all products and the result of an operations here wells and the start of the test of anows all be drilled wells.
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TATE OF NEWANICEX	IND	IVIDUAL ACKNOWLEDG	MENT (New Mexico	Short Form)
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I hereby certify that this instrument was filed for record on the day of ULL, A. D., 19/1, at 13 So'clock im, and was duly recorded in Book 32 at Page 230 of the Records of said County. County Clerk. By July Will South County Clerk.	No. of Acres County, New Mexico Term County, New Mexico	0	FROM	OIL AND GAS LEASE
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910 West .	Avenue J, Lovingtor	n, New Mexico 8	8260				• •
		VEY E. YATES					
1. Lessor, in cam of the agreements of (ideration of TEN AND OTBER he lessee herein contained, herei for and producing oil and gas,	DOLLARS in hand paid, by grants, lesses and fets	receipt of which i exclusively unto le her fluids, and air	s here acknowled escel for the pur into autisurface	eod, and of the cose of invest strata, laying	te royattics herein lighting, exploring, pipe lines, storing	provided an provided an prospecting oil, building

For the purpose of calculating the rental payments bereinafter provided for, said land is estimated to comprise -200.00, acres, whether it actually comprises more or less. 2. Subject to the other provisions herein contained, this lesse shall remain in furve for a term of five years from this date tended "primary term"), and as hing thereafter as off or gas, is produced from anid hand or land with which said hand is poded. 3. The royalties to be paid by hence are: (a) on oil, and on other liquid hydroverbous sweet at the well, 3/16, of that produced and sweet gas and all gas constructs the or loss. 5. The royalties to be delivered at the wells or to the credit of lossor in the pipe line to which the wells may be connected; the on gas, including easinghead gas and all gas even substances, produced from said land or used off the premises or in the manufacture of gasoline or other project hereform, the market value at the most of the well of 3/16 of the amount realized from said from said and sold or used off the premises or in the manufacture of gasoline or other project hereform, the market value at the most of the well of 3/16 of the amount realized from said and any fine when this hence is not validated by other provisions hered and there is a gas and/or condensate well on said land, or fand pooled therewish, but gas and/or condensate well on sold or used and such well is shut in, either mound there for a for producing thereform, then on or before 90 days individed for inset form this lesse the behave for the acresse therefored under this lesse by the party making sinch said produced from as shud in royalty is paid or the pay or tender, and whence annual shut-in royalty qual to the amount realized from under this lesse shall not terminate and it will be considered under all causes here of the gas produced from the leased premises in paying quantifier provided from the leased premises in paying quantifier provided for the payment shall be paid or tendered to the party or parties who at the time of su

4. If operations for drilling site not considenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of s *See Paragraph 12 hich shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or renders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

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3. The royalties to be paid by lossee are: (a) on oil, and on other liquid hydrocarboos saved at the well. 5/32 of that producest and saved from said land, some to be delivered at the wells or to the credit of lossor in the pipe line to which the wells may be connected; (b) on gas, including cashinghead gas and all gas-ieus sublances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other prediters therefrom, the market value at the wolls the well of 5/32 of the gas so sold or used, provided that on gas sold at the wolls the royalty shall be 5/32 of the gas so sold or used, provided that on gas sold at the wolls the royalty shall be 5/32 of the gas sold or used of the vell of the vell of 5/32 of the gas sold or used, provided that on gas sold at the wolls the royalty shall be 5/32 of the gas sold or used number provisions hereof and there is a gas and/or conlensate well on said land, or land product the terminate and it is shut in, and thereafter at annual intervals, lessee may pay or tender an informed or tender, and so low gas and addition or before 20 days after skill well is shut in, and thereafter at annual intervals, lesse may pay or tender an information to render, and so low gas and addition to tendered the lesse by the party making such produced from the leased premises in paying quantities. Each such paynent shall not terminate and it will be considered under the leases hereof that gas is being produced from the leased premises in paying quantities. Each such paynent shall not versinate and it will be considered under at the time of such paynent would be entitled to receive the royaltics which would be being the well in the oblight or beducing, or batter of such paynent would be entitled to receive the royaltics which would be being the well in the oblight or tendered to the paynent of tendered to the credit of the credit of the credit of the paynent of rends.

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See Rental Division Order or tender may be made to the lessor or to the credit of the lossor in the

proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lesser together with and power, from time to time, to pool or combine this lesse, the lind exceed by it or any part or herizon thereof with any other land, lesse, bease, mineral exists or ourst thereof for the production of oil or gas. Units peoled necessar shall be written unit dissignations in the combine this lesse, the lind exceed by it or any part or herizon thereof ration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful huthority for the peol or area in which said land is situated, plus is tolerance of 10%. Lesses shall file written unit designations in the county in which the promises are benched and such units shall be considered for all pur-poses, except the payment of royally, as operations conducted upon or production from the land described in this lesse. There shall be albeered in law overed by this lease included in any such unit that perting of the total production from the land described in the total number of surface acres in the land evered by this lease included in any such unit shall be considered for all purposes, exceept the payed on a described for all purposes, including the payment or divery of rayally, to be the total number of surface acres in the land covered by this lease included in any such unit hat perting with unit in the same, manner as though produced from solid laid under the terms of this lease. Any peoled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is or speed, field or area covered theredy; pay which described built are barries or Shall and under the terms of this lease. Any peoled unit designation of the above described bands are barries to any unit apprexement for the purpose of conserving the infinit and gave to commit, this lease as to all or any partion of the

with due différee. If any drilling, inditional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so how thereafter as oil or gas is produced hereunder. 7. Lease shall have free use of oil, gas and water from said hand, except water from lessor's wells and insks, for all operations hereunder, and the royalty club for deducting any so used. Lease shall have the right a my time during or after the explicition of this lease to remove all priority and fasture placed by lessor on said land, including the right to draw and remove all rained during or after the explicition of this lease to remove all resorms all casins. When required by lessor, lesse will have the privilege, at his risk and expense, of using gas from any gas well on anid land for stoves and inside tights in the principal dwelling therein the during of any satisfast plant in the operations hereinfast or a single state and expense, of using gas from any gas well on anid land for stoves and inside tights in the principal dwelling therein during or right to receive sentials, royalties or payments, however, successors and assigns; but no charge or division in the ownership of lessee and no activities or payments are excluded any constituting the chain of this lease that be cristinal the rights of lessee's and no such change or division in the ownership of cresse with acceptable instruments or certified only as lessering occurs through the dual of the leave, are in events in or such the assigned of the leave are in events in events with acceptable instruments or generic any pay or pay and the respect of any certified and the result in the dependent of the stores with acceptable instruments or generic any pay and the respect of any satisfactory to lessee as to the person cristinal tester. If any state in the dependent of the leave are to a systemet of this leave in the submet of the leave in the systemet of the leave in whether and the respect of any dependent of the leave and the respect of any resp

anything in this lease to the contrary notwithstanding. 10. Leasor hereby warrants and agrees to defend the tille to said land, and agrees that lease, at its option, may discharge any tax, moritage, or other lien upon said land, and in the event lease does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lease a rights under the warranty, if this lease covers a less interest in the will or gas by all or any hereunder toward satisfying same. Without impairment of leases a rights under the warranty, if this lease covers a less interest in the will or gas by all or any hereunder toward satisfying same. Without impairment of leases a rights under the warranty, if this lease covers a less interest in the will or gas by all or any hereunder toward satisfying same. Without impairment of leases a rights under the warranty, if this lease covers a less interest in the will or gas by all or any hereunder therein, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, overed by this lease, bears to the which the lease covers less than such full interest, shall be paid only in the proportion which the leaser fail to execute this lease, it shall nevertheleas be binding upon the party or parties executing the same. 11. Leaser, its/his successors, heles and assigns, shall have the right at any time to surrender the lease, in which shall land is situated: thereupon lease shall be releved from all obligations, expressed or implied, of this agreement as to accreate a so surrendered, and thereastur the rentals and shulp royally paysble hereunder shall be releved in the proportion that the acrease covered hereby is dedected by said release or surrendered, and thereastur the rentals and shulp paysble hereunder shall be released, and all rentals are paid in full for the term of the lease. Name of

Rechards By: JGC-G. Mugret phus		BETHANY WAZARENI	e college	
	1 Kuranda	By: 44	G. Jugaly	Pres.
			517	a the Anna Anna Anna Anna Anna Anna Anna Anna

STATE OF NEW MEXICO, BOUR 321 PACE 233 County of___ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ day of_____ 19_____ by ____ My Commission expires_____ STATE OF NEW MEXICO, Notary Public County of____ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ day of____ 19_____ by ____ My Commission expires____ -, 19 STATE OF NEW MEXICO, Notary Public County of_ INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ 19_ day of____ My Commission expires____ -, 19 : 5 Notary Public STATE OF County of INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this _____ 0 by 1' day of____ c : My Commission expires_ 20 . 19 Notary Public Term COUNTY OF STATE OF I bereby certify Ð S. duly recorded in Book.ZZ/_at Ps 2 ecords of said County. NEW OIL AND GAS LEASE NEW MEXICO that this instrum day of U FROM TO -County, Ra **Was** filed New Mexico and 50 STATE OF - 52 County of____ CORPORATION ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me, this. by. Les Area day of. on behalf of said corporation, ---, 19__. · · ----- President My Commission_Expires: - corporation STATE OF OKLAHOMA Notary Public County of Pritty how che CORPORATION ACKNOWLEDGMENT (New Mexico Short Form) The foregoing instrument was acknowledged before me this_____ 15th - Hohn Ar Knight Matienber o bv... day of of ______ BETHANT, NAZABENE, COLLEGE - 19 7.9 _ President ADN prosfit corporation K-LU-otary Public

- 800x 3	321 ma 19	10 1545	BOIL & GAS	Printed and for sale by Hall-Poorbaugh Press, Inc., Roswell, LEASE	
				19	
				nal Representative for the Estate of Fred	
Walla	ce, décensed	Elinor Ruth	Wallace, his w	ife; and Ida Mae Stevenson, a widow	
				(Post Office Address)	
servin called to	stor twhether one or	more) and HARVEY	E. YATES COMP	ANY, P. O. Box 1933, Roswell, NM 88201	
1. Lessor, of the aprovide willing and o	in consideration of T onts of the lesser here parating for and pro-	FEN AND OTHER DO in contained, hereby gr tacing oil and gas, inj	LLARS in hand paid, rec ants, leases and lets excl ecting gas waters, other	eipt of which is here acknowledged, and of the royalties herein provided usively unto leases for the purpose of investigating, exploring, prospec fluids, and air into subsurface strata, laying pipe lines, storing cij, buil , save, take care of, treat, process, store and transport said mintrals,	anil ling, lding the
allowing discr	ibed land in	Lea		Mexiro, to-wit:	
	Township 12	South, Range	37 East, N.M.	P.M.	
-			s, 4, s/2 N/2,		
			· •		
For the pu	ruose of calculating t	he rental payments her	cinafter provided for, said	I land is estimated to comprise 600.0 acres, whether it acts	unlly
omprises more 2. Subject	to the other provision	na herein contained, thi	s lease shall remain in fo	use for a term of five years from this date (called "primary term").	, and
			f or land with which each nd on other liquid hydror		Innd
ame to be deli- ous substances	vered at the wells or , produced from said	to the cristit of lessor i land and sold or used o	n the pipe line to which t If the premises or in the	whoms saved at the well, $5/32 = 6$ that produced and saved from said 1 by wells any be connected: (b) on gas, including casinghead gas and all mainfindure of gasoline or other product Aberefrom the market value	20×-
he mouth of th uch sale; (c) a	and as any time when	of the gas so sold or us this leave is not valid	ed, provided that on gas itsi by other provisions h	mainfacture of gasoline or other prior k_{s} , the bank comparison gas and an solid state wells the royalty shall be $5/32$ of the amount realized to creat and there is a gas and/or condensate well on said land, or land pu	from
BETEWING, AMI 1	KAN BUHLAR COULEDNATE	IS DEEL INCLUSE AND ALIST OF	' toical assal access world fa st	ul in rither before of after triblicitor Discofrom than on or balance 00.	
anteres this le	8.54° 8.0851 81415 Leventer12181	" ADD IL WHE DO CODAL	cred under all clauses he	der an nolvance annual shut-in royalty equal to a solution of better taking such payment or tender, and so tong as and abut-in royalty is pai end that guas is being produced from the leaved premises in paying quant	iting
aid under this	lease if the well we	re in fact producing, a	ar parties when at the tim	e of such payment would be entitled to receive the royalties which would the credit of such party or parties in the depository bank and in the ma	
cietuwiter pros	ded for the payment	OF TENTERS		berewith on or before one (1) year from this date, this leave shall termi	
s to both part hall cover the nnually, the co	ics, unless on or befor privitege of deferring mimencement of said	commencement of such operations may be fur	his date lessee shall pay a operations for a period ther deferred for anecessi	or tender to the lessor a rental of s*See Paragraph 12 w of twelve (12) months. In like manner and upon like payments or tend we periods of twelve (12) months each during the primary term. Pays	chich ders. ment
r tender may t	e made to the lessor i	or to the credit of the l	cessor in theS	ee Rental Division Order	Bank
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とうしい あわせ ていねちり	OD KRAILINIL OF RELUG	' to accept repint. Insa	e sh'di noi he held in de	or any successor listicks shall fail, liquidate, or any successor thereof. i fault until thirty (30) days after lessor shall deliver to lessee a record	ank
f rentel max	ing provision for ano	ther acceptable method	of payment or tender, a r delivered to avid bunk	nd any depository charge is a liability of the lessor. The payment or ter	nder
the or in par hole or in par oper payment	t as to parties, amon had been made; pro	or regist or indi-in ro nts, or depositories sha visled, however, feorees	maily which is made in Il nevertheless be sufficiently which is not the second sufficient such error with the second such error w	a beam fide attempt to make proper physical, but of before the rental phi at beam fide attempt to make proper physical, but which is erroncous at to prevent termination of this lease in the same manner as though within thirty (30) days after lease has received written notice thereof lease to make proper physical.	s in rh m
			tions to time to past or		

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de Mai Steveneon

Ida Mae Stevenson

Herman H. Wallace, Individually, and as Personal Representation

Personal Representative for the estate of Fred O. Wallace, deceased

			EOUX 321 PAGE 191
STATE OF NEW MEXICO,	- * -	INDIVIDUAL ACKNOWLED	GMENT (New Mexico Short, Form
County ofROOSEVELT	vas acknowledged before me this	21	October
The foregoing instrument	vas acknowledged before me this	day of	occoper
	Vallace, Personal Repre	sentative of the estat	e of Fred O. Wallace,
deceased	Sector Steamer MORAL		
ly Commission expires	HOIARY INSTE THE MILLER		tary Public
TATE OF NEW MEXICO,	- NOTARY BOND INTO VIEN SECRETARY OF S		CATENS' (New Mayles Chest Burn
ounty of ROOSEVELT	The my commission Expires second	Airo.	OGMENT (New Mexico Short Form
	vas acknowledged before me this	day of	October
9 <u>79</u> ty Herman H. W.	OFFICIAL SEAL	inor Ruth Wallace	
	Tim stansure Marie Rol	· · · ·	······································
ly Commission expires	MARIE 19 SISANUE MARIE 19 SERISO	Not Not	ary Public
	NOTARY PUBLIC THEW NEW SO		
	NOTARY BOND FILTO WITH SECRETARY OF STATE		
ounty of ROOSEVELT	Ty commission expires year 9,19	~~?	GMENT (New Mexico Short Form)
		and day of	October
79 hy Ida Mae St	evenson, a widow	· · · · · · · · · · · · · · · · · · ·	
************	OFFICIAL SEAL	1	
	MarieRohus	·	
y Commission expires	TALY PUBLIC NEW MEXICO	. Not	ary Public
TATE OF NOTARY POND	THE WILL SECRETARY OF STATE		
ounty of My Commiss	ion Expires July 9, 198	INDIVIDUAL ACKNOWLED	GMENT (New Mexico Short Form)
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	and here a service me this .	Gay OI	
y Commission expires	19		ary Public
y commission expires	, Ið,	NOU	τιγ τασπο
A. D., 13, at.	Term	Date Section,	9L %
orded in Book 32/at Page / 90 ds of said County cu County Clerk cu County Clerk Date County Clerk	TermCounty, New Mexico STATE OF NEW MEXICO COUNTY OFCOUNTY OFCOUNTY OFCOUNTY ofCOUNTY that this instrument was filed for I bereby certify that this instrument was filed for record on theCounty of	Township, Range	AND T
ATE OF NEW MEXICO		CORPORATION ACKNOWLED) GMENT (New Mexico Short Form)
. The foregoing instrument w	(a) A set of the se	day of	, 19 <u>.</u>
	<u>an an an an an an Arran an Arran an a</u>		President
behalf of said corporation.		<u></u> ń	corporation
Commission Expires:			Notary Public
ATE OF			
inty of		CORPORATION ACKNOWLED	GMENT (New Mexico Short Form)
	as acknowledged before me this_	day of	, 19 President
		ß.	corporation
whalf of said corporation.			
Commission Expires:			Notary Public

79 between

Producer's 88-(Producer's Revised 1967) IN (Diaico) Form 342-0 15955 OIL & GAS LEASE

December

Mettie L. Meadows Seymour, widow of Carl Seymour, deceased

(Post Office Address)

herein called lessor twhether one or more) and HARVEY E. YATES COMPANY, P. O. Box 1933, Roswell, NM 88201, 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the revalities herein provided and of the agreements of the lessee herein contained, hereby grants, herein and fets exclusively unto lessee for the purpose of investigating, exploring, prospecting of the agreements of the lessee herein contained, hereby grants, herein gas, walers, other fluids, and air into subsurface strain, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, trut, process, store and transport said minerals, the

Lea following described land in County, New Mexico, to-wit:

Township 12 South, Range 37 East, N.M.P.M.

Section 1: NW/4 SE/4

SHIS AGREEMENT made this 7th day of

THUS ONLY AND ONE

For the purpose of calculating the central payments hereinafter provided for, said land is estimated to comprise _______40.0 acres, whether it actually 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of ELVE years from this date traffed "primary term"), and us long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

as long thereafter as oil or gas, is produced from said fand or land with which said land is peoled. LLVC from the one of the traded primary terret 1, and a same to be delivered at the wells or to the credit of lossor in the pipe line to which the wells may be connected? (b) on gas, including easinghead gas and all gascow stores tail band is peoled.
a. The royalties to be paid by lossor are: tail on oil, and on other fiquid hydrocarlous anved at the well. 5/32 of that produced and saved from said land, same to be delivered at the wells or to the credit of lossor in the pipe line to which the wells may be connected? (b) on gas, including easinghead gas and all gascow substances, pipelet from said land and our used off the premises or in the manufacture of gasoline or other pipelet thereform, the market value at the mouth of the well of 5/32 of the gas so sold or used, provided that on gas sold at the wells the royalty shuft be 5/32. If the amount craited from said land, or land pooled therewith, but gas and/or condensate is not being so sold or used, provided that on gas and there is no a gas and of condensate is not being so sold or used and such well is shut in, either before or after production thereform, then on or before 90 days, after and well is shut in, and thereafter at annual intervals, lesser and party or tender all charac heart would be entitled to require the held under this losse by the party making such payment or tonder, and so long us said shuttin royalty is paid or tendered to the paying to tendered to the early or parties when the would be rowald be considered under all charac here of that gas is being produced from the lossed promises in paying quantities.
tendered this lease shall not tendered to the party or parties who at the time of such payment or tonder, and so long us said shuttin royalty is paid or tendered to be earlied to receive the royalties which would be paying the actions the lossed provided to receive the royalties which would be paying to tendered t

4. If operations for drilling are not commenced on said land or on land pouled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, upless on or before one (1) year from this date lessue shall pay or tender to the lessor a rental of s^{*}See Paragraph 12^{*} which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term, Payment

or tender may be made to the lessor or to the credit of the lessor in the First National

Roswell, New Mexico 88201

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certified null from lessor together with such instruments as are necessary to couble lesse to make projer payment.
5. Lessee is hereby grantice the right and power, from time to time, to poil ar combine this lesse, the fund covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard prevation unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said hand is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time, and either before or after the completion of wells. Duilling operations on up production from any part of any merk unit shall be considered for all purposes, except the payment of rayalty, as operations conducted upon or production of poole dimensity in this lense. There shall be allocated to the hand covered by this lease included in any such unit that portion of the total preduction of poole dimensity from wells in the other for any such unit that portion of the load overed by this lease included in any such unit that portion of preduction of poole dimensity from wells in the total induce of any such unit standard preduction of sail land covered be reducted in a supervised and under the terms of this lease or unit operations, which the number of surface arres in the land covered by this lease included from sail land under the terms of this lease. Any pooled herein of all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the completion of sail land under the terms of the dissolved by besce by recording an appropriate instrument in the County where the land is siluated, any pooled unit designated by lessee, as provided herein, may be dissolved by bessee by recording an appropriate instrument in the

Here such commitment the provisions of this lease shall be conformed to the unit agreement.
6. If prior to the discovery of oil or gas hereunder, lease shall be conformed to the unit agreement.
6. If prior to the discovery of oil or gas hereunder, lease shall be conformed to the unit agreement.
6. If prior to the discovery of oil or gas hereunder, lease shall be conformed to the abandom a dry hale or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminary term) commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resume, the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next chaining after the expiration of three months from date of abandomment of asid dry hole or holes or the casation of production. If at the expiration of the primary term oil or yas is not being produced but lease is then expand in operations for drilling or reworking of any well, this lease shall remain in force zo long as a well and portations are diligently prosecuted with no cessation of more than 60 days for drilling or reworking of any well, and are well under this paragraph, lesse lakes or junks the hole or well and after diligent efforts in word faith is unable to commence another within 30 days after the abandomment of asid operations lesse may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations drive as one dere abandomment of asid operations for all operations hereunder.

thereafter as oil or gas is produced hereunder. 1. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and fixtures placed by lessee on asid izhd, including the right to draw and remove all exsing. When required by lessor, lessee will hury all pipe lines on cultivated lands table widdinary plaw depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's con-sent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder. 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalitics or payments, however we will 30 days after lease has been furnished by certified mail at lessors in or such change or division shall be binding upon lesser for any pay or tender any rentals, royalities or payments to the credit of the deceased or his state in the depository bank until such time as lessee bas been furnished with evidence satisfactory to lesses as to the persons enlitted to such aums, in the event of an assignment of this lesse of any objection of a stores for any objection of as the erich aweet of the default and, the depository bank until such time as lessee that been furnished with evidence satisfactory to lesses as to the persons enlitted to such aums, in the event of an assignment of this lesse, in whole or in part, shall to the erich of such aum, and the store of part or pays thereof

paragraph shall also include shullin royally. 9. Should lease be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations here-under, or from producing oil or gas berevated by reason of acarcly or inability to oltain or use equipment or material, or by operation of force migeore, or by any Federal or state law or any order, rule or regulation of governmental authority, then while an prevented, lease's duty shall be superited, hand low see shall not be liable for failure to comply therewith; and this lease that here the lable for failure to comply therewith; and line cause shall be extended while and so long as lease is urgentied by any auch cause from conducting drilling or reworking operations on or from producing cill or gas hereunder; and the time while leasee is so prevented shall not be counted against leasee. 10. Lease to the contrary notwithstanding.

drilling or reworking operations on or from producing oil or gas hereunder; and the time while and so long as lease is prevented shall not be counted against lease. 10. Leaser hereby warrants and agrees to defend the title to asid land, and agrees that lease, at its option, may discharge any tax, mortgage, or other 10. Leaser hereby warrants and agrees to defend the title to asid land, and agrees that lease, at its option, may discharge any tax, mortgage, or other 11. Update loaded and, and in the event leaser does so, it shall be subrogated to guth the right to enforce same and apply rentals and counted against leaser. 10. Leaser hereby warrants and agrees to defend the title to asid land, and agrees that lease, at its option, may discharge any tax, mortgage, or other 11. Update loaded hand, and in the event leaser does so, it shall be subrogated to guth the right to enforce same and apply rentals and counted 11. Leaser loward satisfying anne. Without impairment of leasers rights under the warrants, if this lease covers a less interest in the oil or gras in all or any 12. Leaser barge the entire and undivided fee simple covers leas than such full interest. Shall be pid only in the proportion which the interest therein. If any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as 13. Leaser, fully his successors, heirs and assigns, shall have the right at any time to surrender this lease. In whole or in part, to leaser or his heirs, succes-sors, and basigns by delivering or malling a release thereof to the leaser, or by placing a release thereof of record in the county in which asid lead is altusted; thereing by aside bereauderd from all obligations, expressed or implied of this agrees covered hereby is reduced by said release or helease; *1.2. This is a paid-up lease, and all rentals are paid in full for the term of the lease. Name of depository bank is inserted herein solely for the purpose of shut-in royalty paym

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Mettre P	. meadows	s Seymour 4	/

Social Security Number: 429-19-1390

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TATE OF NEW MEXICO,	INDIVIDUAL ACKNOWLEDGMENT G	, .
Whe foregoing instrument was acknowledged before me	this 11 the day of Decemi)er
A Mettfe L. Meadows Seymour, wid	ow of Carl Selmour, deceased.	
1 Commission expires July 27, 1980, 19-		<u>uery</u>
TATE OF NEW MEXICO,	INDIVIDUAL ACKNOWLEDGMENT ()	Jaw Maylan Short Michi
County of		
The foregoing instrument was acknowledged before me		
y Comm'ssion expires, 19	Notary Public	
TATE OF NEW MEXICO,		•
County of	INDIVIDUAL ACKNOWLEDGMENT (N	lew Mexico Short Form)
$_{\rm A}$ The foregoing instrument was acknowledged before me	this day of	· · · · · · · · · · · · · · · · · · ·
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Term	TO Date Township Range	OIL AND GAS LEASE NEW MEXICO
ATE OF NEW MEXICO	CORPORATION ACKNOWLEDGMENT () New Mexico Short Form)
The foregoing instrument was acknowledged before me	thisday of	
		President
behalf of said corporation.	<u>a</u>	corporation
	8	corporation
behalf of said corporation.	CORPORATION ACKNOWLEDGMENT (corporation
behalf of said corporation.	CORPORATION ACKNOWLEDGMENT (corporation Notary Public New Mexico Short Form)
behalf of said corporation.	CORPORATION ACKNOWLEDGMENT (corporation

CONSENT AND RATIFICATION NORTHWEST GLADIOLA UNIT AGREEMENT EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northwest Gladiola Unit area embracing lands situated in Lea County, New Mexico, which sald agreement is dated the 25th day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or other interest in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northwest Gladiola Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

WITNESS

h C. Smith

Charlette a. Smith harlotte A. Smith, his wife

STATE OF TEXAS COUNTY OF milled

The foregoing instrument was acknowledged before me this $\frac{19}{19}$ day of $\frac{19}{100}$, 1980, by RANDOLPH C. SMITH and CHARLOTTE A. SMITH, his

My Commission Expires:

JAN PFISTER, Notary Public My Commission Expires July 14, 1934

Jan Spister

CONSENT AND RATIFICATION

NORTHWEST GLADIOLA UNIT AGREEMENT EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northwest Gladiola Unit area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 25th day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or other interest in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northwest Gladiola Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

ATTEST: orbett of fa

CORBETT PETROLEUM, INC.

Lattu, President

STATE OF TEXAS) COUNTY OF Midlion

The foregoing instrument was acknowledged before me this 22 day of 445457, 1980, by ANDREW C. LATTU, President of Corbett Petroleum, Inc., a Texas Corporation, on behalf of said corporation.

FRAN SHAMBURGER My Commission Expires 3-31-1981

My Commission Expires:

Man Shamburge Notary Public

CONSENT AND RATIFICATION NORTHWEST GLADIOLA UNIT AGREEMENT EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

WITNESS:

Achith

STATE OF TEXAS COUNTY OF

Margaret Wynn, his wife

The foregoing instrument was acknowledged before me this $\frac{19}{14}$ day of $\frac{14}{14}$, 1980, by W. T. WYNN and MARGARET WYNN, his wife.

My Commission Expires:

Jan Ofister Notary Public

JAN PHISTER, Notary Public My Commission Expires July 14, 1984

CONSENT AND RATIFICATION NORTHWEST GLADIOLA UNIT AGREEMENT EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

ATTEST:

ATTEST:

SPIRAL, INC.

Harvey & Yates, President

FRED G. YATES, INC.

huble gretes ted G. Yates, President By:

EXPLORERS PETROLEUM CORPORATION

By: Yates, President

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this $\frac{44}{10}$ day of $\frac{1}{10}$ corporation, on behalf of said corporation.

My Commission Expires:

auch 26, 1983

OFFICIAL SEAL CARLYN M. PARA NOTARY PUBLIC - NEW MELICO NOTACY BOND & ED WITH SECRETARY OF S My Commission Expires 3/26/8

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Notary Public

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 4th day of ducust, 1980, by FRED G. YATES, President of FRED G. YATES, INC., a New Mexido Corporation, on behalf of said corporation. day of

My Commission Expires:

March 26, 1983

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Notary Public	A Read Sized autor
Notary Public	NOTARY PUBLIC NEW MEXICO
	NOTARY BOND FILED WITH SECRETARY OF STAT

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OFFICIAL SEAL

My Commission Expires 3/26/83

ARM

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this $\frac{4}{100}$ day of $\frac{1}{100}$, 1980, by GEORGE M. YATES, President of EXPLORERS PETROLEUM CORPORATION, a New Mexico Corporation, on behalf of said corporation.

My Commission Expires: March 26, 1983

	OFFICIAL SEAL
Notary Public	CARLYN M. JARM
	NOTATY BOND FILED WITH SECRETARY OF STATE My Commission Expires 3/26/83

Unit Name NORTHWEST GLADIOLA UNIT- EXPLORATORY Operator HARVEY E. YATES County LEA COUNTY, NEW MEXICO no.

DATE APPROVED	OCC CASE NO. 7006 OCC ORDER NO. R-6471	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	XXXXXXXXXX FEE	SEGREC CLAI
COMMISSIONER	COMMISSION	10/20/80	1,279.93	640.00	-0-	639.93	Ye.
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UNIT AREA

TOWNSHIP 11 SOUTH, RANGE 37 EAST, NMPM Section 36: All

TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM Section 1: All

Unit Name	NORTHWEST GLADIOLA UNIT- EXP	LORATORY	(no 10
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County _	LEA COUNTY, NEW MEXICO		
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1 STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT 2 OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. 3 SANTA FE, NEW MEXICO 3 September 1980 4 EXAMINER HEARING 5 6 IN THE MATTER OF: 7 Application of Harvey E. Yates Com-) pany for a unit agreement, Lea CASE 8 County, New Mexico. 7006 9 SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (205) 455-7409 10 BEFORE: Daniel S. Nutter 11 12 TRANSCRIPT OF HEARING 13 14 APPEARANCES 15 16 Ernest L. Padilla, Esq. For the Oil Conservation 17 Legal Counsel to the Division Division: State Land Office Bldg. 18 Santa Fe, New Mexico 87501 19 20 For the Applicant: Robert H. Strand, Esq. \odot Harvey E. Yates Company 21 Roswell, New Mexico 88201 22 23 \odot 24 26

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GEORGE M. YATES

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B 3 Fc, New Mexico 87501 Direct Examination by Mr. Strand

Cross Examination by Mr. Nutter

RANDOLPH C. SMITH

Direct Examination by Mr. Strand Cros's Examination by Mr. Nutter

EXHIBITS

 (A^{*})

Applicant Exhibit One, Plat Applicant Exhibit Two, Unit Agreement Applicant Exhibit Three, Structure Map Applicant Exhibit Four, Cross Section

1 MR. NUTTER: We'll call next Case Number 7006. 2 3 MR. PADILLA: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. 5 MR. STRAND: Mr. Examiner, Robert Strand, attorney from Roswell, appearing for the applicant, and I 6 have the same two witnesses. MR. NUTTER: They're still under oath. 9 10 GEORGE M. YATES 11 being called as a witness and having been duly sworn upon 12 his oath, testified as follows, to-wit: 13 14 DIRECT EXAMINATION 15 BY MR. STRAND: 16 State your full name for the record. Q, 17 George M. Yates. 18 Mr. Yates, what is your position with the .19 applicant and what are your duties? 20 I'm Vice President of Harvey E. Yates 21 Company in Roswell. My duties include supervision of all 22 land and exploration activities. 23 0 Will you please state the purpose of the 24 application in Case Number 7006? 26 HEYCO seeks approval of our proposed

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Medico 87501 Phone (505) 455-7409 Northwest Gladiola Unit as a State-approved unit covering Section 36, Township 11 South, Range 37 East, and Section 1, Township 12 South, Range 37 East, all in Lea County.

Q. Does the proposed unit agreement unitize formations to all depths?

Yes, it does.

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SALLY W. BOYD, C.S.R

Q. I refer you to Exhibit Number One. Would you please describe that exhibit?

A. Exhibit Number One is a land plat showing the proposed unit boundary and the proposed initial test well.
 Q. Mr. Yates, would you please state the breakdown of mineral ownership under the proposed unit in percentages?

A Yes. The acreage ownership is almost equally divided between State lease land and fee minerals. The State of New Mexico has 50,002734 percent; fee minerals represent 49,997266 percent of the unit.

Q I refer you to Exhibit Number Two. Will you please describe that exhibit?

A. Exhibit Number Two is the proposed unit agreement.

Q. Mr. Yates, does the proposed unit agreement designate Harvey E. Yates Company as operator?

Yes, it does,

What provisions does the agreement make

as to initial test well?

A. The unit agreement provides for the initial test well to be drilled to the Mississippian formation but the operator is not required to drill in excess of 12,000 feet.

 Q. What are the primary objectives?
 A. The primary objectives of this test include the Upper Penn Section, Canyon, Cisco sections, Upper Penn, Lower Permian, Wolfcamp sections.

Secondary objectives include the Atoka Sand, the Mississippian formation is also a primary objective Q When do you anticipate the proposed initial well would be commenced?

A. We anticipate within 120 days of the effective date of the unit agreement, but in fact, we anticipate beginning this test within two weeks.

Q. Mr. Yates, what is the status of commitment by royalty owners under the proposed unit?

A. Well, the State Land Office has verbally approved the unit on a preliminary basis. All fee owners committed by unitization -- by the unitization provision in the lease form.

MR, NUTTER: All of them?

A All of them. So all overriding royalty interests are committed to the unit; the State, again, on a

SALLY W. BOYD, C.S.R Rt. 1 Box 193-B 8

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SALLY W. BOYD, C.S.R

Q What is the status of commitment by working interest owners?

A. All of it is committed.

MR. NUTTER: IS HEYCO the working interest owner throughout the entire 1280 acres?

A HEYCO is the primary interest owner, Mr. Examiner, but there are other interest owners that are associated HEYCO companies.

Q. Mr. Yates, were Exhibits One and Two prepared by you or under your supervision?

Or do they reflect materials contained in the applicant's files?

Yes, they do. Yes, they were.

MR. STRAND: I have no further questions of this witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q. In other words, Mr. Yates, all of the working interest is committed to the unit. All of the royalty interest is committed to the unit, with the exception of the State royalty interest. That has been tentatively committed. The remainder of the fee royalty owners

are committed by virtue of the unitization clause in the

		Page7
1	leases, and the or	verriding royalties have committed?
2	ан сайта. Ал	That's correct.
3	Q	Okay.
4		MR. NUTTER: Are there any further ques-
5	tions of the witne	ess? He may be excused.
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7		RANDOLPH C. SMITH
8	being called as a	witness and having been previously sworn
9	upon his oath, tes	tified as follows, to-wit:
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11		DIRECT EXAMINATION
12	BY MR. STRAND:	
13	Q .	State your name for the record.
14 🤤	Α,	Randolph C. Smith.
15	Q	What is your position with the applicant,
16	Mr. Smith?	
17	A .	I'm an exploration geologist for Harvey
18	E. Yates Company i	n Midland, Texas.
19		MR. STRAND: Mr. Examiner, is Mr. Smith
20	still considered q	ualified?
21		MR. NUTTER: Yes, he is.
22	Q	Mr. Smith, are you familiar with the ap-
23	plication of Case	Number 7006?
24	A	Yes, I am,
25	Q	Have you prepared geological exhibits

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Meerico 87501 Phone (300) 455-7409

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relating to this application? 1 Yes, sir, I have. 2 λ. I refer you to Exhibit Number Three, Will Q. 3 you please describe that exhibit? 4 Yes. Exhibit Number Three is an inte-5 A. grated seismic subsurface control structure map on top of the 6 Wolfcamp, contour interval at 100 feet. 7 The proposed well location in Section 36 8 of 11 South, 37 East, is marked with a black arrow, 1980 from 9 the west, 660 from the south. SALLY W. BOYD, C.S.R. 10 On this cross -- on this structure map 11 ار با المرد المرد . مراجعة معام المرد الم it shows a cross section, which I have, which I will show you 12 in just a few minutes, Exhibit Number Four, labeled A-A', 13 14 colored in yellow here. The unit that we are proposing, Section 15 36 of 11, 37, and Section 1 of 12, 37, encompasses what we 16 believe to be the whole structural feature as shown in the 17 18 closure on this map. You referred to Exhibit Number Four, Mr. 19 Q. Will you explain that in more detail? 20 Smith. Yes. Exhibit Number Four is a structural 21 A. cross section which I will put on the wall, if necessary. 22 MR, NUTTER: That's all right. 23 Exhibit Number Four, as I stated, is a 24 structural cross section across this northwest Gladiola pro-25 CAR STORY COM

1 posed unit, showing the primary objective as the Wolfcamp 2 Bank, which is colored in blue. The proposed depth of the well is estimated as the total depth of 12,000 feet; as Mr. 3 Yates also suggested, another primary objective is Austin-4 5 Mississippian and the Middle and Upper Pennsylvanian carbonates. 7 On this cross section is our proposed 8 location, also, which is marked by a red arrow. It lies 9 between the H. L. Brown Barthelomew Well and the Lowe Humble SALLY W. BOYD, C.S.R. 10 Well in Section 36, 11, 37. 11 Mr. Smith, in the event of discovering Q. 12 oil and gas in paying quantities under this unit, is it your 13 opinion that approval of this application will maximize re-14 covery of unitized substances and otherwise promote conser-15 vation, protect correlative rights, and prevent waste? 16 Yes, it will. 17 Were Exhibits Three and Four prepared by 18 you? 19 Yes, they were. 20 MR. STRAND: I have no further questions, 21 Mr. Examiner. 22 23 CROSS EXAMINATION 24 BY MR. NUTTER: 25 Mr. Smith, why isn't the Devonian consi-

dered to be a possibility here? 1 If we are running high at the time that 2 we get down to the Mississippian-Austin, we will consider 3 running -- continuing drilling to --This zone, then, will be a marker as to 5 Q. structural position of the Devonian, won't it? 6 That is correct, sir. Α. And it could be taken on to the Devonian, 8 **û** 9 then. It is possible, yes. 10 There is Devonian production in the neigh-11 0. 12 borhood, is there not? That is correct. 13 A. There's also a couple of Devonian dry 14 0. holes in the immediate neighborhood. 15 That is also correct. 16 Now, on this zigzag line that cuts across 17 through Exhibit Number Three, I believe it's indicated that 18 19 that's the Wolfcamp trend? Yes, sir, that is indicative of the 20 Wolfcamp porosity trend, which is colored in blue on the 21 22 structural cross section. Is that -- is that zone productive in any 23

SALLY W. BOYD, C.

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of these wells on the cross section?

ten Millin Carpeter and a state of the

No, sir, it is not.

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11 Page 1 I see. Ω. 2 MR. NUTTER: Are there any further ques-3 tions of Mr. Smith? He may be excused. Δ Do you have anything further, Mr. Strand? 5 MR. STRAND: Mr. Examiner, I move the 6 admission of Exhibits One through Four. 7 MR. NUTTER: Applicant's Exhibits One 8 through Four will be admitted in evidence. 9 Does anyone have anything they wish to 10 offer in Case Number 7006? 11 We'll take the case under advisement. 12 13 (Hearing concluded.) 14 15 16 17 18 19 20 21 22 23 24 25

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-3 Santa Fe, New Merico 87501

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CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Steen W. Boyd C.S.E.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Jase 0. 1006, heard by ne on 9/3 19.80 , Examiner Off Conservation Division

SALLY W. BOYD, C.S.R

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Page STATE OF NEW MEXICO 1 ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION 2 STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 3 3 September 1980 4 EXAMINER HEARING 5 6 IN THE MATTER OF: Application of Harvey E. Yates Com-7 pany for a unit agreement, Lea CASE 7006 8 County, New Mexico. 9 SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 10 BEFORE: Daniel S. Nutter 11 12 TRANSCRIPT OF HEARING 13 14 APPEARANCES 15 16 Ernest L. Padilla, Esq. For the Oil Conservation Legal Counsel to the Division Division: 17 State Land Office Bldg. Santa Fe, New Mexico 87501 18 19 Robert H. Strand, Esq. For the Applicant: 20 Harvey E. Yates Company Roswell, New Mexico 88201 21 22 23 24 26
	•		
GEORGE	М.	YATES	
		Direct Examination by Mr. Strand 3	
		Cross Examination by Mr. Nutter 6	

INDEX

RANDOLPH C. SMITH

SALLY W. BOYD, C.S.R. Rt; I Box 193-B Santa Fc, New Mexico 87501 Phone (505) 455-7409 Direct Examination by Mr. Strand Cross Examination by Mr. Nutter

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MR. NUTTER: We'll call next Case Number

GEORGE M. YATES

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DIRECT EXAMINATION

BY MR. STRAND:

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SALLY W. BOYD, C.S.R

State your full name for the record. Q. George M. Yates. A.

Mr. Yates, what is your position with the applicant and what are your duties?

I'm Vice President of Harvey E. Yates A. Company in Roswell. My duties include supervision of all land and exploration activities.

Will you please state the purpose of the Q application in Case Number 7006? HEYCO seeks approval of our proposed

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Northwest Gladiola Unit as a State-approved unit covering Section 36, Township 11 South, Range 37 East, and Section 1, Township 12 South, Range 37 East, all in Lea County.

Page

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SALLY W. BOYD, C.S.R

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C.S.R.

SALLY W. BOYD,

Rt. 1 Box 193-B 11a Fe, New Mexico 87501 Phone (505) 455-7409

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What is the status of commitment by working preliminary basis. Q.

interest owners?

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SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B 1 Fc, New Mexico 8

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SALLY W. BOYD, C.S.R. kt. 1 Box 193-B Santa Fc, New Medico 87501

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The proposed well location in Section 36 of 11 South, 37 East, is marked with a black arrow, 1980 from the west, 660 from the south.

On this cross -- on this structure map it shows a cross section, which I have, which I will show you in just a few minutes, Exhibit Number Four, labeled A-A', colored in yellow here.

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A. Yes. Exhibit Number Four is a structural cross section which I will put on the wall, if necessary.

MR. NUTTER: That's all right,

A Exhibit Number Four, as I stated, is a structural cross section across this northwest Gladiola pro-

Page posed unit, showing the primary objective as the Wolfcamp Bank, which is colored in blue. The proposed depth of the 1 well is estimated as the total depth of 12,000 feet; as Mr. 2 Yates also suggested, another primary objective is Austin-3 Mississippian and the Middle and Upper Pennsylvanian carbon-4 5 On this cross section is our proposed 6 ates. It lies location, also, which is marked by a red arrow. 7 between the H. L. Brown Barthelomew Well and the Lowe Humble 8 9 Well in Section 36, 11, 37. Mr. Smith, in the event of discovering 10 SALLY W. BOYD, C.S.R. oil and gas in paying quantities under this unit, is it your 11 opinion that approval of this application will maximize re-12 covery of unitized substances and otherwise promote conser-13 vation, protect correlative rights, and prevent waste? 14 15 Yes, it will. Were Exhibits Three and Four prepared by A. 16 6 17 18 you? Yes, they were. MR. STRAND: I have no further questions, 19 λ. 20 Mr. Examiner. 21 22 CROSS EXAMINATION 23 Mr. Smith, why isn't the Devonian consi-BY MR. NUTTER: 24 ്റ 25

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dered to be a possibility here?

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SALLY W. BOYD, C.S.R.

A. If we are running high at the time that we get down to the Mississippian-Austin, we will consider running -- continuing drilling to --

Q This zone, then, will be a marker as to structural position of the Devonian, won't it?

That is correct, sir.

Q And it could be taken on to the Devonian, then.

It is possible, yes.

Q. There is Devonian production in the neighborhood, is there not?

A. That is correct.

Q. There's also a couple of Devonian dry holes in the immediate neighborhood.

That is also correct.

Q Now, on this zigzag line that cuts across through Exhibit Number Three, I believe it's indicated that that's the Wolfcamp trend?

A. Yes, sir, that is indicative of the Wolfcamp porosity trend, which is colored in blue on the structural cross section.

Q Is that -- is that zone productive in any of these wells on the cross section?

No, sir, it is not.

Q. I see. MR. NUTTER: Are there any further ques-tions of Mr. Smith? He may be excused. Do you have anything further, Mr. Strand? admission of Exhibits One through Four. MR. NUTTER: Applicant's Exhibits One through Four will be admitted in evidence. Does anyone have anything they wish to offer in Case Number 7006? We'll take the case under advisement. (Hearing concluded.)

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Menico 87501 Phone (505) 455-7409

MR. STRAND: Mr. Examiner, I move the

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CERTIFICATE

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SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B ata Fe, New Mexico 875 Phone (505) 455-7409

Santa

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

I do hereby certify that the foregoing is heard by me on ______ 7006 _____ 19 80 . , Examiner Off Conservation Division

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BRUCE KING COVERNOR LARRY KEHOE SECRETARY

September 12, 1980

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 (505) 867-2434

Re: Mr. Robert H. Strand, Attorney Harvey F. Yates Company P. D. Box 1933 Roswell, New Mexico 88201 CASE NO. 7086 ORDER NO. R-6471

Applicant:

Harvey E. Yates Company_

States in the second states and

Dear Sir:

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

Pours very truly, JOE D. RAMEY Director

JDR/fd

Copy of order also sent to:

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Other____

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 7006 Order No. R-6471

APPLICATION OF HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

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This cause came on for hearing at 9 a.m. on September 3, 1980, at Santa Fe, New Mexico, before Examiner Daniel 5. Nutter.

NOW, on this <u>lith</u> day of September, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Harvey E. Yates Company, seeks approval of the Northwest Gladiola Unit Agreement covering 1,280 acres, more or less, of State and Fee lands described as follows:

LEA COUNTY, NEW MEXICO TOWNSHIP 11 SOUTH, RANGE 37 EAST, NMPM Section 36: All

TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM Section 1: All

(3) That all plans of development and operation and oreations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval. -2-Case No. 7006 Order No. R-6471

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Northwest Gladiola Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Dil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate <u>ipso</u> facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-3-Case No. 7006 Order No. R-6471

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION JOE D. R Director RAMEY

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NTTE OF NEW MEXICO STATE OF NEW MEXICO STATE OF NEW MEXICO STATE OF NEW MEXICO SANTA FE, NEW MEXICO 20 August 1980 IN THE MATTER OF: Application of Harvey E. Yates Com- pany for a unit agreement, Lea 7006 10 11 12 13 14 15 16 17 10 17 10 17 10 10 10 10 11 10 11 12 13 14 15 16 17 10 17 10 17 10 17 10 17 10 17 10 17 17 17 17 17 17 17 17 17 17	7				
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Pag MR. STAMETS: We'll call next Case 7006. MR. PADILLA: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. MR, STAMETS: At the request of the appli-cant this case will be continued to the September 3rd Examiner Hearing. (Hearing concluded.) SALLY W. BOYD, C.S.R. Rt. 1 Box 192-B a**n managan kanan kan**

1 CERTIFICATE 2 3 I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that 4 the foregoing Transcript of Hearing before the Oil Conserva-5 tion Division was reported by me; that the said transcript 6 is a full, true, and correct record of the hearing, prepared 7 by me to the best of my ability. 8 9 Sally W. Boyd C.S.E. 10 11 Phone (505) 455-740 12 13 I do hereby certify that the foregoing is 14 a complete record of the proceedings in the Examiner hearing of Case No. 7006 15 16 Examiner me of hegid 17 OII Conservation Division 18 19 20 21 22 23 24 25

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Merico 87501

Page STATE OF NEW MEXICO 1 ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION 2 STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 20 August 1980 3 4 EXAMINER HEARING 5 6 IN THE MATTER OF: 7 Application of Harvey E. Yates Com-) CASE $l_{\mathcal{L}}$ pany for a unit agreement, Lea 8 7006 County, New Mexico. 9 SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Meudo 87501 Phone (505) 455-7409 10 BEFORE: Richard L. Stamets 11 12 TRANSCRIPT OF HEARING 13 14 APPEARANCES 15 16 Ernest L. Padilla, Esq. For the Oil Conservation Legal Counsel to the Division 17 Division: State Land Office Bldg. Santa Fe, New Mexico 87501 18 19 20 For the Applicant: 21 22 23 24 25

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SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Merico 87501 Phone (505) 455-7409 (Hearing concluded.)

Page 1 CERTIFICATE 2 3 I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that 4 the foregoing Transcript of Hearing before the Oil Conserva-5 tion Division was reported by me; that the said transcript 6 is a full, true, and correct record of the hearing, prepared 7 by me to the best of my ability. 8 9 SALLY W. BOYD, C.S.R. Rt. J Box 193-B Santa Fe, New Merico 87501 10 Phone (505) 455-7409 11 12 13 14 15 I do hereby certify that the foregoing is a complete record of the proceedings in 16 the Examiner hearing of Case vo. heard by me on_____ 19___ ___ 17 Examiner 18 **Oil Conservation Division** 19 20 21 22 23 24 25

Docket No. 27-80

Dockets Nos. 29-80 and 30-80 are tentatively set for September 17 and October 1, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 3, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7015: Application of Tenneco Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 36, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7016: Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 18, Township 15 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7006: (Continued from August 20, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northwest Gladiola Unit Area, comprising 1,280 acres, more or less, of State and fee lands in Townships 11 and 12 South, Range 37 East.

CASE 7007: (Continued from August 20, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above styled cause, seeks approval for the downhole commingling of Morrow and Atoka production in the wellbore of its North Travis 12 Deep Well No. 1 located in Unit O of Section 12. Township 18 South, Range 28 East.

CASE 7017: Application of Bass Enterprises Production Company for pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Bone Spring gas pool for its Big Eddy Unit Well No. 60 located in Unit J of Section 20, Township 21 South, Range 28 East, with classification of wells with a GOR of 20,000 or more as gas wells.

CASE 7018: Application of Shell Oil Company for an exception to Division Rule No. 202(B), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a one year extension to the exception to Rule 202(B) previously approved by Order No. R-5655 for certain of its Carson Unit wells in the Bisti Pool. Applicant further requests an administrative procedure for any future extensions.

CASE 7019: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsyl-vanian formation underlying the W/2 of Section 30, Township 23 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6991: (Continued from August 6, 1980, Examiner Hearing)

Application of Amoco Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in a 100 foot perforated interval between 4400 feet and 4800 feet in its South Hobbs Unit Well No. 103 in Unit B of Section 15, Township 19 South, Range 38 East, Hobbs Grayburg-San Andres Pool.

CASE 7000: (Continued from August 20, 1980, Examiner Hearing)

Application of Cavalcade Oil Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McClay Well No. 11 2385 feet from the South line and 1834 feet from the West line of Section 33, Township 18 South, Range 30 East, the NE/4 SW/4 of said Section 33 to be dedicated to the well.

Page 2 of 2 Examiner Hearing - Wednesday - September 3, 1980

Docket No. 27-80

CASE 7020: Application of Mesa Petroleum Co. for pool creation, special pool rules and an oil discovery allowable, Rio Arriba and San Juan Counties, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Gallup oil pool for its South Blanco Federal Well No. 1-6 located in Unit A of Section 6, Township 23 North, Range 7 West, and special rules therefor, including a provision for 80-acre spacing units. Applicant further seeks a discovery allowable for the aforesaid well.

CASE 6822: (Reopened and Readvertised)

In the matter of Case 6822 being reopened pursuant to the provisions of Order No. R-6293 which order created the West Double X-Wolfcamp Gas Pool as a retrograde gas condensate pool and set special production limitations therein. Operator(s) may appear and present evidence to establish the true nature of the reservoir and proper rates of withdrawal therefrom.

CASE 6996: (Continued from August 20, 1980, Examiner Hearing)

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 28-80

DOCKET: COMMISSION HEARING - THURSDAY - SEPTEMBER 4, 1980

OIL CONSERVATION COMMISSION - 9 A.H. - ROOM 205 STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6889: (DE NOVO)

Application of Belco Petroleum Corporation for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill a well, the surface location of which is 1980 feet from the North line and 920 feet from the West line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom it at an unorthodox location within 100 feet of a point 1320 feet from the North line and 2640 feet from the West line of said Section 36 in the Morrow formation, the N/2 of said Section 36 to be dedicated to the well.

Upon application of Duval Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

Evidence and testimony or arguments in this hearing shall be limited to the issue of whether Duval Corporation has standing to object to the application of Belco Petroleum Corporation.

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				HWEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYAL AND PERCENTAGE	TY WORK P
PATENT	TED (FEE) LANDS:						
S	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	Mary Irene Dean All - 15.62%	Harvey E. Yates Company 100%	A. C. Lattu .7	0% Harvey 5% Company 5% Spiral, Fred G.
							Explor leum Co
5	Sec. 1: Lots 3 & 4, SźNWŁ, SWŁ	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee för Clarence Wallace All - 15.62%	Harvey E. Yates Company 100%	A. C. Lattu .7	0% Harvey 1 5% Company 5% Spiral, Fred G.
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5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Donovan Wallace	Harvey E. Yates Company 100%	W. T. Wynn .5 A. C. Lattu .7 R. C. Smith .2	5% Company
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EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

PATENTED (FEE) LANDS; 639.93 Acres (49.998% of Unit)



SCHEDULE SHO	WING THE PERCENTAGE	EXHIBIT "B" AND KIND OF OWNERSHI	P OF OIL AND GAS INTE			
		THWEST GLADIOLA UNIT COUNTY, NEW MEXICO	OT OTE AND GAS INTE	RESTS		
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319.94 Gross (76.0 Net) 319.94 Gross	Fee 10-23-84 Fee	Mary Irene Dean All - 15.62% First National	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	PERCENTAGE Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
(76.0 Net) 319.94	10-23-84 Fee	Bank of Lea County, Trustee for Clarence Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	•50% •75% •25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro-
Gross (76.0 Net)	10-23-84	Pirst National Bank of Lea County, Trustee for Donovan Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	,50% .75% .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates,
\$ (49.998% of	f Unit)		and a start of the second s Second second	1997 - 1997 -		Inc. 7.5% Explorers Petro- leum Corp. 7.5%



BEFORE EXAMINER 9/3/80 OIL CONSERVATION DIVISION EXHIBIT NO. 3 CASENO. 7006 SUBMITTED BY HEYCO HEARING DATE 9/3/80

HARVEY E. YATES CO. Roswell, New Mexico



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UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the <u>25th</u> day of <u>JULY</u> 1980 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

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WHEREAS, the parties hereto are the owners of working, royalty, or other oll 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. 98, 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 or 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 of 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 Oll 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 <u>Northwest</u> <u>Gladiola</u> Unit Area covering the land hereinafter <u>described to give reasonably</u> BEFORE EXAMINER_______ effective control of operations therein; and

OIL CONSERVATION DIVISICIA EXHIBITING CASE NO SUBMITTED BY SUBMITTED BY 9/3/80	BEFORE EXAMINER
CASENO OOG	OIL CONSERVATION DIVISIC:1
SUBMITTEDBY Applicant	
SUBMITTED BY TYPLICENCE	
HEARING DATE	HEARING DATE 9/3/80

WHEREAS, it is the purpose of the partles 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;

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NOW THEREFORE, in consideration of the premises and 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 11 South, Range 37 East, N.M.P.M. Township 12 South, Range 37E, N.M.P.M. Section 1: All Section 36: All

Containing 1279.93 acres, more or less,

County, New Mexico LEA

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Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity 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 oll 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 Oll 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 oll, 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".

55		.3	. UNIT	OPERATOR:	Harvey E. Yates	Company		whose	address	is	62
្លៃទ	uit	e 300	Secur	ity Nationa	l Bank Building						63
P	. 0	. Box	1933,	Roswell, Ne	w Mexico 88201	is hereby	designate	d as ur	nit opera	tor	64
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	nd	by slo	mature	hereto com	its to this agree	ment all in	terest in v	unitize	d substan	ces	66

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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 working interest when such an interest is owned by it.

4. <u>RESIGNATION OR REMOVAL OF UNIT OPERATOR</u>: 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 fallure 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 new duly gualified successor unit operator, or to the owners thereof if no such new unit operator 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. <u>SUCCESSOR UNIT OPERATOR</u>: 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

-3-

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 this unit agreement and the operating agreement, this unit agreement shall prevall.

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7. <u>RIGHTS AND OBLIGATIONS OF UNIT OPERATOR</u>: 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 the 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 one hundred twenty (120) 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 sufficlent to attain the top of the Mississipplan 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 12,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantitles (to-wit: quantities sufficient to repay the costs 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 -54 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 completion of the initial discovery well and within thirty days after the expiration of each twelve

month 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 month period, such plan of contemplated development to be approved by the Division.

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.

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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 any 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.

10. <u>PARTICIPATION AFTER DISCOVERY</u>: 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 1 distribution of the royalties payable to the State of New Mexico and other lessors, 3 each separate less shall have allocated to it such percentage of said production 5 as the number of acres in each less respectively committed to this agreement bears 7 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 interest owner in kind or to personally sell or dispose of the same, and is nothing herein contained shall be construed as giving or granting to the unit operator in 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.

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11. ALLOCATION OF PRODUCTION: All unitized substances produced from each 23 tract in the unitized area established under this agreement, except any part thereof 25 used for production or development purposes hereunder, or unavoidably lost, shall be27 28 deemed to be produced equally on an acreage basis from the several tracts of the 29 unitized land, and for the purpose of determining any benefits that accrue on an 31 32 acreage basis, each such tract shall have allocated to it such percentage of said 33 34 production as its area bears to the entire unitized area. It is hereby agreed that as 36 production of unitized substances from the unitized area shall be allocated as pro-37 38 vided herein, regardless of whether any wells are drilled on any particular tracts 39 40 of said unitized area. 41

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals 43 44 due the State of New Mexico shall be paid by the respective lease owners in accordance 45 46 with the terms of their leases. 47

All royalties due to the State of New Mexico under the terms of the leases 49 50 committed to this agreement shall be computed and paid on the basis of all unitized 51 substances allocated to the respective leases committed hereto; provided, however, 53 54 the State shall be entitled to take in kind its share of the unitized substances 55 allocated to the respective leases, and in such case the unit operator shall make 57 58 deliveries of such royalty oil in accordance with the terms of the respective leases. 59

All rentals, if any, due under any leases embracing lands other than the 61 62 State of New Mexico, shall be paid by the respective lease owners in accordance with 63 64 the terms of their leases and all royalties due under the terms of any such leases 65

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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 practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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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 each 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 oll 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 term 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

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shortest term lease committed to this agreement. Termination of this agreement shall not effect 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 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 offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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Any lease embracing lands of the State of New Mexico having only apportion of its lands 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 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 in such lease, if oll 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 committed to this agreement at the expiration of the secondary term of such lease, or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. <u>CONSERVATION</u>: 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. <u>DRAINAGE</u>: 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.

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16. <u>COVENANTS RUN WITH LAND</u>: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the partles 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 grantes, 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 two 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 can be 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 Commission and with notice to the 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. <u>RATE OF PRODUCTION:</u> All productions and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all applicable laws and lawful regulations.

19. <u>APPEARANCES</u>: Unit operator shall, after notice to other parties affected have the right to appear for and on behalf of any and all interests 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 right 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 partles hereto, shall be deemed fully given, if given in writing and sent postpaid registered mail, addressed to such party or partles 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.

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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 dillgence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials 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

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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 or revenue.

24. <u>COUNTERPARTS</u>: 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

By

ATTEST:

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HARVEY E. YATES COMPANY

George M. Yates, Vice President

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Assistant Secretary DATE: July 25, 1980 STATE OF NEW MEXICO)) §§ COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25th day of 66 July , 1980, by GEORGE M. YATES, Vice President of HARVEY E. YATES COMPANY, a New Mexico Corporation, on behalf of said corporation.

My Commission Expires:

March 26, 1983

EXHIBIT "A"

NORTHWEST GLADIOLA UNIT

All - Section 36: T-11S, R-37E, N.M.P.M. All - Section 1: T-12S, R-37E, N.M.P.M.

LEA COUNTY, NEW MEXICO



STATE OF NEW MEXICO LANDS: (640.00 Acres) - 50.002% of Unit PATENTED (FEE) LANDS: (639.93 Acres) - 49.998% of Unit TOTAL ACRES IN UNIT: 1279.93

				WEST GLADIOLA UNIT COUNTY, NEW MEXICO				
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			002% of Unit) <u>UTH, RANGE 37 EAST,</u> Fee 12-7-84	N.M.P.M. Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Harvey Company Spiral Fred G
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4	Sec. 1: Lot 2, SW4NE4, E4SE4, SW4SE4	199.99 Gross (20.0 Net)	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harv Comp Spir Fred
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4.	Sec. 1: Lot 2, SW4NE4 E4SE4, SW4SE4	199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Har Comj Spi Fred
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4	Sec. 1: Lot 2, SW{NE4 E2SE4, SW4SE4	199.99 Gross (160.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace, Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Hary Com Spin Free

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5	Sec. 1: Lots 3 & 4, S넣NW¼, SW¼	319.94 Gross (16.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace - Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	7 Con
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5	Sec. 1: Lots 3 & 4, S½NW½, SW¼	319,94 Gross (76.0 Net)	Fee 10-23-84	Virgil V. Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Cor
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EXHIBIT "B"

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UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the <u>25th</u> day of <u>JULY</u> 1980 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

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WHEREAS, the partles hereto are the owners of working, royalty, or other oll 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 or 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 of 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 <u>Northwest</u> <u>Gladiola</u> Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

CIL CONSERVATIO	ON DIVISION
EX!	HEIT NO. 2
CASE NO.	7006
SUBMITTED BY	
HEARING DATE	9/3/80

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;

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NOW THEREFORE, in consideration of the premises and 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. <u>UNIT AREA</u>: The following described land is hereby designated and recognized as constituting the unit area:

<u>Township 11 S</u>	outh, Range 37 East, N.M.P.M.	Township 12 South, Rang	e 37E, N.M.P.M.
Section 1:	A11	Section 36: All	
	Containing <u>1279.93</u>	acres, more or less,	1997 - 19

LEA County, New Mexico

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Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity 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 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: Harvey E. Yates Company , whose address is Suite 300, Security National Bank Building P. O. Box 1933, Roswell, New Mexico 88201 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 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 fallure 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 new duly qualified successor unit operator, or to the owners thereof if no such new unit operator 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

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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 this unit agreement and the operating agreement, this unit agreement shall prevail.

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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 the 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 one hundred twenty (120) 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 Mississippian 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, he required to drill said well to a depth in excess of 12,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs 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 quantitles 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 d'rilling 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.

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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 completion of the initial discovery well and within thirty days after the expiration of each twelve

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month 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 month period, such plan of contemplated development to be approved by the Division.

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. ,36

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.

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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 any 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.

10. <u>PARTICIPATION AFTER DISCOVERY</u>: 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.

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For the purpose of determining any benefits accruing under this agreement and the 1 distribution of the royalties payable to the State of New Mexico and other lessors, 3 each separate lease shall have allocated to it such percentage of said production 5 as the number of acres in each lease respectively committed to this agreement bears 7 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 interest owner shall have the right to take such owner's proportionate share of the interest owner shall have the right to the personally sell or dispose of the same, and is nothing herein contained shall be construed as giving or granting to the unit operator interest owner without specific authorization from time to time so to do.

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22 11. ALLOCATION OF PRODUCTION: All unitized substances produced from each 23 24 tract in the unitized area established under this agreement, except any part thereof 25 used for production or development purposes hereunder, or unavoidably lost, shall be 27 deemed to be produced equally on an acreage basis from the several tracts of the 29 30 unitized land, and for the purpose of determining any benefits that accrue on an 31 acreage basis, each such tract shall have allocated to it such percentage of said 33 production as its area bears to the entire unitized area. It is hereby agreed that 35 production of unitized substances from the unitized area shall be allocated as pro-37 38 vided herein, regardless of whether any wells are drilled on any particular tracts 39 40 of said unitized area. 41

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals 43 44 due the State of New Mexico shall be paid by the respective lease owners in accordance 45 46 with the terms of their leases. 47

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All royalties due to the State of New Mexico under the terms of the leases 49 50 committed to this agreement shall be computed and paid on the basis of all unitized 51 52 substances allocated to the respective leases committed hereto; provided, however, 53 54 the State shall be entitled to take in kind its share of the unitized substances 55 allocated to the respective leases, and in such case the unit operator shall make 57 58 deliveries of such royalty oil in accordance with the terms of the respective leases. 59

All rentals, if any, due under any leases embracing lands other than the 61 62 State of New Mexico, shall be paid by the respective lease owners in accordance with 63 64 the terms of their leases and all royalties due under the terms of any such leases 65 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 practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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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 each 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 term 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 shal) not effect 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 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 offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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Any lease embracing lands of the State of New Mexico having only a portion of its lands 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 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 in such lease, 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 committed to this agreement at the expiration of the secondary term of such lease, or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. <u>CONSERVATION</u>: 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 circunstances.

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16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to he 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 two 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 oper-ations are in progress for the restoration of production or discovery of new pro-duction and so long thereafter as the unitized substances so discovered can be pro-duced 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 Commission and with notice to the Divi-sion. 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 productions and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all 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 interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal

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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 right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands, or statements required herounder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent 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.

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21. <u>UNAVOIDABLE DELAY</u>: 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 dillgence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials 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 oll or gas interest in lands within the unit

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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 or revenue.

24. <u>COUNTERPARTS</u>: 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 partles who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such partles had signed the same document, and regardless of whether or not it is executed by all other partles 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

ATTEST:

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HARVEY E. YATES COMPANY

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Acol	stant Secre	tary		. *	By:	M. Vat	an Vice	President	ة بريانيا
DATE:	July 25.) Scorye	140 140	5 5) VI CE	FI COLUCIAL	
	NEW MEXICO)) на 1 ам		n Alexan Alexan Alexan		an a	
COUNTY O		1997) 1997 - Angel 1997 - Angel) - \$\$			· · · · · · · · · · · · · · · · · · ·			

The foregoing instrument was acknowledged before me this <u>25th</u> day of <u>July</u>, 1980, by GEORGE M. YATES, Vice President of HARVEY E. YATES COMPANY, a New Mexico Corporation, on behalf of said corporation.

My Commission Expires:

March 26, 1983

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EXHIBIT "A"

NORTHWEST GLADIOLA UNIT

All - Section 36: T-11S, R-37E, N.M.P.M. All - Section 1: T-12S, R-37E, N.M.P.M.

LEA COUNTY, NEW MEXICO



STATE OF NEW MEXICO LANDS: (640.00 Acres) - 50.002% of Unit PATENTED (FEE) LANDS: (639.93 Acres) - 49.998% of Unit TOTAL ACRES IN UNIT: 1279.93

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			•	EXHIBIT "B"			
		SCHEDULE SHOW			OF OIL AND GAS INTERE	ESTS	
				WEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING RO AND PERCENTAC	
TOWNS	HIP 11 SOUTH, RANGE 37 EA						
1	Sec. 36: All	640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	· · · · · · · · · · · · · · · · · · ·
		•					
STATE	OF NEW MEXICO LANDS: 640	0.0 Acres (50.0	002% of Unit)				
5 S. C.			DO2% of Unit) WTH, RANGE 37 EAST,	<u>N.M.P.M.</u>			
5 S. C.				<u>N.M.P.M.</u> Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	: ل
PATEN	TED (PEE) LANDS: -	TOWNSHIP 12 SO	UTH, RANGE 37 EAST, Fee	Mettie L. Mea- dows Seymour		A. C. Lattu	: ل ا
PATEN	<u>TED (FEE) LANDS:</u> - Sec. 1: NW ¹ SE ¹	TOWNSHIP 12 SO	UTH, RANGE 37 EAST, Fee	Mettie L. Mea- dows Seymour		A. C. Lattu	
PATEN	TED (PEE) LANDS: -	TOWNSHIP 12 SO	UTH, RANGE 37 EAST, Fee	Mettie L. Mea- dows Seymour		A. C. Lattu	
PATEN	<u>TED (FEE) LANDS:</u> - Sec. 1: NW ¹ / ₅ SE ¹ / ₄ Sec. 1: Lot 1,	<u>TOWNSHIP 12 SO</u> 40.0	UTH, RANGE 37 EAST, Fee 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman H. Wallace ½ of 15.62% Ida Mae Stevenson	Company 100% Harvey E. Yates	A. C. Lattu R. C. Smith W. T. Wynn A. C. Lattu	ري ان
PATEN	<u>TED (FEE) LANDS:</u> - Sec. 1: NW ¹ / ₅ SE ¹ / ₄ Sec. 1: Lot 1,	<u>TOWNSHIP 12 SO</u> 40.0	UTH, RANGE 37 EAST, Fee 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman H. Wallace ½ of 15.62% Ida Mae Stevenson	Company 100% Harvey E. Yates	A. C. Lattu R. C. Smith W. T. Wynn A. C. Lattu	
PATEN	<u>TED (FEE) LANDS:</u> - Sec. 1: NW ¹ / ₅ SE ¹ / ₄ Sec. 1: Lot 1,	<u>TOWNSHIP 12 SO</u> 40.0	UTH, RANGE 37 EAST, Fee 12-7-84 Fee	Mettie L. Mea- dows Seymour All - 15.62% Herman H. Wallace ½ of 15.62% Ida Mae Stevenson	Company 100% Harvey E. Yates	A. C. Lattu R. C. Smith W. T. Wynn A. C. Lattu	

SCHEDULE SHOT			OF OIL AND GAS INTERE	STS		2
		HWEST GLADIOLA UNIT COUNTY, NEW MEXICO	· · · · · · · · · · · · · · · · · · ·			
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING H AND PERCENTA		WORKING INTEREST AND PERCENTAGE
r, N.M.P.M.	- STATE OF NEW MEXICO	D LANDS				
640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Harvey E. Yates Company 77.5% Spiral, Inc 7.5% Fred G. Yates Inc. 7.5%
						Explorers Petro-
		and a second s		9 - ₁ - 1		leum Corp. 7.5%
.0 Acres (50.	002% of Unit)			e de la constante de la consta		leum Corp. 7.5%
	002% of Unit) DUTH, RANGE 37 EAST,	N.M.P.M.				leum Corp. 7.5%
	an a' shekarar ta bara ƙ	N.M.P.M. Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5%
OWNSHIP 12 SC	DUTH, RANGE 37 EAST, Fee	Mettie L. Mea- dows Seymour		A. C. Lattu	.75%	Harvey E. Yates Company 77.5%
OWNSHIP 12 SC	DUTH, RANGE 37 EAST, Fee	Mettie L. Mea- dows Seymour		A. C. Lattu	.75%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro-

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EXHIBIT "B" <u>SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS</u> NORTHWEST GLADIOLA UNIT LEA COUNTY, NEW MEXICO

NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WOR
PATENTE	ED (FEE) LANDS:			3		n an an Araba an Araba. An Araba Araba an Araba	
4	Sec. 1: Lot 2, SW4NE4, E45E4, SW4SE4	199.99 Gross (20.0 Net)	Fee 10 -23- 84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harve Compa Spira Fred
							Explo 1eum
4	Sec. 1: Lot 2, SW4NE4 E½SE4, SW4SE4	199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harve Compa Spira Fred
							Explo leum
4	Sec. 1: Lot 2, SW\NE\ E\2SE SW\SE\	199.99 Gross (160.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace, Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harve Compa Spira Fred
			e Sentario de Caracita de Estario de Caracita de Cara Estario de Caracita de Cara				Explo leum

		WEST GLADIOLA UNIT COUNTY, NEW MEXICO				
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	A	NG ROYALTY ND ENTAGE	WORKING INTEREST AND PERCENTAGE
		ê anti-				
199.99 Gross 20.0	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wyn A. C. Lat R. C. Smi	tu .75%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates,
Net)						Inc. 7.5% Explorers Petro- leum Corp. 7.5%
199.99 Gross 10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wyn A. C. Lat R. C. Smi	tu .75%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5%
						Explorers Petro- leum Corp. 7.5%
199.99 Gross 160.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace, Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lat R. C. Smit	u .75%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates,
						Inc. 7.5% Explorer® Petro- leum Corp. 7.5%

EXHIBIT "B"

1 M				WEST GLADIOLA UNIT OUNTY, NEW MEXICO	1		
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIÐING ROYALTY AND PERCENTAGE	WORK I: PE
PATEN	NTED (FEE) LANDS:						
4	Sec. 1: Lot 2, SW4NE4, E4SE4, SW4SE4	199.99 Gross (10.0 Net)	Fee 10-23-82	Winford Carlile All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G
							Explor leum C
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (16.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace - Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G
				n an			Explor leum C
5 v)	Sec. 1: Lots 3 & 4, S½NW½, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	Virgil V. Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G
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			n de la companya de l La companya de la comp	and a second second Second second second Second second		میں ایک	

EXHIBIT "B"

EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

NORTHWEST GLADIOLA UNIT LEA COUNTY, NEW MEXICO

	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
4,	199.99	Fee	Winford Carlile	Harvey E. Yates	W. T. Wynn .50%	Harvey E. Yates
ł	Gross	10-23-82	All - 18.75%	Company 100%	A. C. Lattu .75%	Company 77.5%
	(10.0				R. C. Smith .25%	Spiral, Inc. 7.5%
	Net)					Fred G. Yates,
						Inc. 7.5%
		-				Explorers Petro-
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	Gross	10-23-84	Wallace - Dec.	Company 100%	A. C. Lattu .75%	Company 77.5%
	(16.0	10-25-04	All - 15.62%	company com	R. C. Smith .25%	Spiral, Inc. 7.5%
	Net)		$\mathbf{H}\mathbf{H} = \mathbf{H}\mathbf{J}\mathbf{H}\mathbf{J}\mathbf{H}$			Fred G. Yates,
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	319.94	Fee	Virgil V. Wallace	Harvey E. Yates	· · · · · · · · · · · · · · · · · · ·	Company 77.5%
	Gross	10-23-84	A11 - 15.62%	Company 100%		Spiral, Inc. 7.5%
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EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

NORTHWEST GLADIOLA UNIT LEA COUNTY, NEW MEXICO

	· · · · · · · · · · · · · · · · · · ·						
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYAI AND PERCENTAGE	.ТY
PATENTED	(FEE) LANDS:					هد. ۲۰۰۱ - ۲۰۰۱ - ۲۰۰۱ ۲۹۰۱ - ۲۰۰۱ - ۲۰۰۱ - ۲۰۰۱	- - -
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	Mary Irene Dean All - 15.62%	Harvey E. Yates Company 100%	A. C. Lattu .7	50% Ha 75% Co 25% SI Fr
						andro an Article Article Article Article Article Article	F le
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Clarence Wallace All - 15.62%	Harvey E. Yates Company 100%	A. C. Lattu .7	007 Ha 57 Co 57 Sp Fr
							Ex 1e
5.	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Donovan Wallace All - 15.62%	Harvey E. Yates Company 100%	A. C. Lattu .7	0% Ha 5% Co 5% Sp Fr
		an an taon an t					Ex le

PATENTED (FEE) LANDS; 639.93 Acres (49.998% of Unit)



EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND CAS INTERESTS

NORTHWEST GLADIOLA UNIT LEA COUNTY, NEW MEXICO

NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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319.94	Fee	Mary Irene Dean	Harvey E. Yates	W. T. Wynn .50%	Harvey E. Yates
Gross	10-23-84	A11 - 15.62%	Company 100%	A. C. Lattu .75%	Company 77.5%
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Net)		Clarence Wallace			Fred G. Yates,
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Net)		Donovan Wallace		· · · · · · · · · · · · · · · · · · ·	Fred G. Yates,
		A11 - 15.62%			Inc. 7.5%
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.93 Acres (49.998% of Unit)



HEARING DATE.

N.W. GLADIOLA PROSPECT

Contoured on: T/Wolfcamp Contour Interval: 100 ·

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UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA _____COUNTY, NEW MEXICO

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THIS AGREEMENT, entered into as of the <u>25th</u> day of <u>JULY</u> 1980 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

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 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 or 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 of 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 Oll 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 <u>Northwest</u> <u>Gladiola</u> Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and BEFORE EXAMINER_____

BEFORE EXAMINER
OIL CONSERVATION DIVISION
2
CASE 7006
SUBMITTER Applicant
HEAR: 9/3/80

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 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 11 South, Range 37 East, N.M.P.M.

Section 1: All

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Township 12 South, Range 37E, N.M.P.M. Section 36: All -28

Containing <u>1279.93</u> acres, more or less,

LEA County, New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity 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: Harvey E. Yates Company , whose address is Suite 300, Security National Bank Building P. O. Box 1933, Roswell, New Mexico 88201 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 working interest when such an interest is owned by it.

4. <u>RESIGNATION OR REMOVAL OF UNIT OPERATOR</u>: 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 new duly qualified successor unit operator, or to the owners thereof if no such new unit operator 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. <u>SUCCESSOR UNIT OPERATOR</u>: 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

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 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. <u>ACCOUNTING PROVISIONS</u>: 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 this unit agreement and the operating agreement, this unit agreement shall prevall.

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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 the unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understcod 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 one hundred twenty (120) days after the effective date of this agreement, commence operations upon an adequate test well for oll and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficlent to attain the top of the Mississippian 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 12,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit; quantities sufficient to repay the costs 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 quantitles 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.

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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 completion of the initial discovery well and within thirty days after the expiration of each twelve month 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 month period, such plan of contemplated development to be approved by the Division.

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.

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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 any 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.

10. <u>PARTICIPATION AFTER DISCOVERY</u>: 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 1 distribution of the royalties payable to the State of New Mexico and other lessors, 3 each separate lease shall have allocated to it such percentage of said production 5 as the number of acres in each lease respectively committed to this agreement bears 7 to the total number of acres committed hereto.

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22 11. ALLOCATION OF PRODUCTION: All unltized substances produced from each 23 tract in the unitized area established under this agreement, except any part thereof 25 used for production or development purposes hereunder, or unavoidably lost, shall be 27 28 deemed to be produced equally on an acreage basis from the several tracts of the 29 30 unitized land, and for the purpose of determining any benefits that accrue on an 31 acreage basis, each such tract shall have allocated to it such percentage of said 33 production as its area bears to the entire unitized area. It is hereby agreed that 35 36 production of unitized substances from the unitized area shall be allocated as pro-37 vided herein, regardless of whether any wells are drilled on any particular tracts 39 40 of said unitized area. 41

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals 43 44 due the State of New Mexico shall be paid by the respective lease owners in accordance 45 46 with the terms of their leases. 47

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All royalties due to the State of New Mexico under the terms of the leases 49 50 committed to this agreement shall be computed and paid on the basis of all unitized 51 Substances allocated to the respective leases committed hereto; provided, however, 53 54 the State shall be entitled to take in kind its share of the unitized substances 55 allocated to the respective leases, and in such case the unit operator shall make 57 58 deliveries of such royalty oil in accordance with the terms of the respective leases. 59

All rentals, if any, due under any leases embracing lands other than the 61 62 State of New Mexico, shall be paid by the respective lease owners in accordance with 63 64 the terms of their leases and all royalties due under the terms of any such leases 65 shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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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 practices; 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 each 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 term 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

-8-

shortest term lease committed to this agreement. Termination of this agreement shall not effect 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 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 offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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Any lease embracing lands of the State of New Mexico having only a portion of its lands 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 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 in such lease, if oll 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 committed to this agreement at the expiration of the secondary term of such lease, or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or yas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oll and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. <u>CONSERVATION</u>: 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. <u>DRAINAGE</u>: 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

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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 circunstances.

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16. <u>COVENANTS RUN WITH LAND</u>: 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 two 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 can be 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 Commission and with notice to the 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. <u>RATE OF PRODUCTION:</u> All productions and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all applicable laws and lawful regulations.

19. <u>APPEARANCES:</u> Unit operator shall, after notice to other parties affected have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal

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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 right 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 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.

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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 in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials 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 oll or gas interest in lands within the unit

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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 or revenue.

24. <u>COUNTERPARTS</u>: 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 partles who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such partles had signed the same document, and regardless of whether or not it is executed by all other partles 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

By

ATTEST:

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HARVEY E. YATES COMPANY

Notary Public

George M. Yates, Vice President

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Assistant Secretary

DATE: July 25, 1980

STATE OF NEW MEXICO COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this <u>25th</u> day of <u>July</u>, 1980, by GEORGE M. YATES, Vice President of HARVEY E. YATES COMPANY, a New Mexico Corporation, on behalf of said corporation.

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My Commission Expires:

March 26, 1983

EXHIBIT "A"

NORTHWEST GLADIOLA UNIT

All - Section 36: T-11S, R-37E, N.M.P.M. All - Section 1: T-12S, R-37E, N.M.P.M.

LEA COUNTY, NEW MEXICO



STATE OF NEW MEXICO LANDS: (640.00 Acres) - 50.002% of Unit PATENTED'(FEE) LANDS: (639.93 Acres) - 49.998% of Unit TOTAL ACRES IN UNIT: 1279.93

				EXHIBIT "B"		
		SCHEDULE SHOW	ING THE PERCENTAGE A	ND KIND OF OWNERSHIP	OF OIL AND GAS INTERI	ESTS
		х. 		WEST GLADIOLA UNIT OUNTY, NEW MEXICO		
						-B)
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE
TOWNSH	IIP 11 SOUTH, RANGE 37 EAS	r, n.m.p.m	- STATE OF NEW MEXICO	LANDS		
1	Sec. 36: All	640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%
					õ	
STATE	OF NEW MEXICO LANDS: 640	.0 Acres (50.0	002% of Unit)			
PATENT	ED (FEE) LANDS: - T	OWNSHIP 12 SC	OUTH, RANGE 37 EAST, I	N.M.P.M.		
2	Sec. 1: NW ¹ SE ¹	40.0	Fee 12-7-84	Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%
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				3		
3	Sec. 1: Lot 1,			a de la companya de La companya de la com La companya de la com		al de la companya de La companya de la com La companya de la com
	sełneł	80.0	Fee 10-23-84	Herman H. Wallace ½ of 15.62% Ida Mae Stevenson ½ of 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .507 A. C. Lattu .757 R. C. Smith .257
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		HWEST GLADIOLA UNIT				
	LEA	COUNTY, NEW MEXICO			· .	
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING R AND PERCENTA	۲	WORKING INTERN AND PERCENTAGE
<u>N.M.P.M.</u> -	STATE OF NEW MEXICO	D LANDS				
640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Harvey B. Yates Company 77.5 Spiral, Inc 7.5 Fred G. Yates Inc. 7.5
				\$- -		Explorers Petro leum Corp. 7.
) Acres (50.0	02% of Unit)					
	002% of Unit) UTH, RANGE 37 EAST,	N.M.P.M.				
		N.M.P.M. Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Company 77. Spiral,Inc. 7. Fred G. Yates,
WNSHIP 12 SO	<u>UTH, RANGE 37 EAST,</u> Fee	Mettie L. Mea- dows Seymour	•	A. C. Lattu	.75%	Spiral, Inc. 7.
WNSHIP 12 SO	<u>UTH, RANGE 37 EAST,</u> Fee	Mettie L. Mea- dows Seymour	•	A. C. Lattu	.75%	Company 77. Spiral,Inc. 7. Fred G. Yates, Inc. 7. Explorers Petr

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				HWEST GLADIOLA UNIT COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & ZXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING R AND PERCENTA	
PAT	ENTED (FEE) LANDS:		5				
4	Sec. 1: Lot 2, SW4NE4, E25E4, SW4SE4	199.99 Gross (20.0 Net)	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%
4.	Sec. 1: Lot 2, SW4NE4 E2SE4, SW4SE4	199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.507 .757 .257
			k status series s				
4	Sec. 1: Lot 2, SW{NE} E½SE4, SW{SE}	199.99 Gross (160.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace, Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS NORTHWEST GLADIOLA UNIT

EXHIBIT "B"



		WEST GLADIOLA UNIT OUNTY, NEW MEXICO			
NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
199.99 Gross (20.0 Net)	Fee 10-23-84	Bethany Nazarene College All-15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
199.99 Gross (10.0 Net)	Fee 12-21-84	H.D. Witherspoon All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%
199.99 Gross (160.0 Net)	Fee 10-23-84	Estate of Fred O. Wallace, Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

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NO.	DESCRIPTION OF LA	NUMBER OF AND ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING' ROYALTY AND PERCENTAGE
PATENTED	(FEE) LANDS:					
4	Sec. 1: Lot 2, SW E½SE¼, SW		Fee 10-23-82	Winford Carlile All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%
5	Sec. 1: Lots 3 & S½NW¼, SW		Fee 10-23-84	Estate of Fred O. Wallace - Dec. All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .507 A. C. Lattu .757 R. C. Smith .257
5	Sec. 1: Lots 3 & S½NW¼, SW		Fee 10-23-84	Virgil V. Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

NORTHWEST GLADIOLA UNIT LEA COUNTY, NEW MEXICO



EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

NORTH	VEST GLAD	IOLA UNIT
LEA CO	DUNTY, NE	MEXICO

NUMBE OF ACRES	R	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIÐING R AND PERCENTA		WORKING INTEREST AND PERCENTAGE
199.9 Gross	9	Fee 10-23-82	Winford Carlile All - 18.75%	Harvey E. Yates Company 100%	W. T. Wynn A. C. Lattu R. C. Smith	.50% .75% .25%	Harvey E. Yates Company 77.5% Spiral,Inc. 7.5%
(10.0 Net)			анананан султан Соб		K. C. Smith	• 4)/•	Fred G. Yates; Inc. 7.5%
							Explorers Petro- leum Corp. 7.5%
319.9	4	Fee	Estate of Fred O.	Harvey E. Yates	W. T. Wynn	.50%	Harvey B. Yates
Gross (16.0		10-23-84	Wallace - Dec. All - 15.62%	Company 100%	A. C. Lattu R. C. Smith	.75% .25%	Company 77.5% Spiral,Inc. 7.5% Fred G. Yates,
Net)					2 2		Inc. 7.5%
							Explorers Petro- leum Corp. 7.5%
°319.9		Fee	Virgil V. Wallace	Harvey E. Yates	W. T. Wynn	.50%	Harvey E. Yates
Gross		10-23-84	A11 - 15.62%	Company 100%	A. C. Lattu	.75%	Company 77.5%
(76.0 Net)					R. C. Smith	.25%	Spiral, Inc. 7.5% Fred G. Yates,
	3						Inc. 7.5% Explorers Petro-
							leum Corp 7.5%

			NORTH	WEST GLADIOLA UNIT	Х. 		
				COUNTY, NEW MEXICO			
NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WOF
PATENT	ED (FEE) LANDS:	· · · · · · · · · · · · · · · · · · ·					
5	Sec. 1: Lots 3 & 4, S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	Mary Irene Dean All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G
					α το		Explo leum C
5	Sec. 1: Lots 3 & 4, S½NW½, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Clarence Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G
							Explor leum C
5	Sec. 1: Lots 3 & 4, 'S½NW¼, SW¼	319.94 Gross (76.0 Net)	Fee 10-23-84	First National Bank of Lea County, Trustee for Donovan Wallace All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Compan Spiral Fred G

EXHIBIT "B"

PATENTED (FEE) LANDS; 639.93 Acres (49.998% of Unit)



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EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

NORTHWEST		
LEA COUNTY	, NEW	MEXICO

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NUMBER OF ACRES	STATE LEASE NO. & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING RO AND PERCENTAC		WORKING INTERES AND PERCENTAGE
319.94	Fee	Mary Irene Dean	Harvey E. Yates	W. T. Wynn	.50%	Harvey E. Yates
Gross	10-23-84	A11 - 15.62%	Company 100%	A. C. Lattu	.75%	Company 77.5%
(76.0				R. C. Smith	.25%	Spiral, Inc. 7.5%
Net)						Fred G. Yates,
						Inc. 7.5%
			-			Explorers Petro-
n in the second s						leum Corp. 7.5%
319.94	Fee	First National	Harvey E. Yates	W. T. Wynn	.50%	Harvey E. Yates
Gross	10-23-84	Bank of Lea County,		A. C. Lattu	.75%	Company 77.5%
(76.0	20 20 04	Trustee for		R. C. Smith	.25%	Spiral, Inc. 7.5%
Net)		Clarence Wallace				Fred G. Yates,
		A11 - 15.62%		•		Inc. 7.5%
						Explorers Petro-
						leum Corp 7.5%
210 04	Fee	First National	Harvey E. Yates	W. T. Wynn	.50%	Harvey E. Yates
319.94 Gross	10-23-84	Bank of Lea County,		A. C. Lattu	.75%	Company 77.5%
(76.0	10-23-84	Trustee for	company 100%	R. C. Smith	.25%	Spiral, Inc. 7.5%
(70.0 Net)		Donovan Wallace		Ne Ve Umrett	• - 2 14	Fred G. Yates,
nely		A11 - 15.62%				Inc. 7.5%
		MII - 1J.02%				Explorers Petro-
en 1995 - Stan Stan Stan Stan Stan Stan 1995 - Stan Stan Stan Stan Stan Stan Stan Stan			1			leum Corp. 7.5%

res (49.998% of Unit)



BEFORE EXAMINER -9/3 OIL CONSERVATION DIVISION 3 ____ EXHIBIT NO. __ CASEND. 7006 SUBMITTED BY HEYCO 9/3/80 HEARING DATE_

×1	andar Antonio <mark>- Antonio</mark> Antonio - Antonio Antonio Antonio - Antonio Antonio - Antonio Antonio - Antonio Antonio - Antonio - Antonio - Antonio - Antonio - Antonio
HAI	VEY E. YATES CO.
	loswell, New Mexico
Ν.	. GLADIOLA PROSPECT
	LEA COUNTY N M
m	Wc Ø Trend; - Fault
	ed on: T/Wolfcamp
Contou	Interval: 100'
R.C	aie: 1" = 4000 ·

July '80

Docket No. 26-80

Dockets Nos. 27-80 and 28-80 are tentatively set for September 3 and 17, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 20, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternace Examiner:

- <u>ALLOWABLE</u>: (1) Consideration of the allowable production of gas for September, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for September, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico:

1,920 acres, more or less, of State and Federal lands in Township 23 South, Range 34 East.

CASE 6998: Application of Monsanto Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Back Basin Unit Area, comprising

CASE 6999: Application of Gulf Oil Corporation for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard protation unit comprising the N/2 of Section 36, Township 21 South, Range 36 East, Eumont Gas Pool, to its Harry Leonard NCT-C Well No. 9 located in Unit B, and its No. 8, at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 36.

CASE 7000: Application of Cavalcade Oil Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McClay Well No. 11 2385 feet from the South line and 1834 feet from the West line of Section 33, Township 18 South, Range 30 East, the NE/4 SW/4 of said Section 33 to be dedicated to the well.

CASE 7001: Application of McClellan Oil Corporation for three unorthodox oil well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for three following unorthodox locations for wells to be drilled in Section 24, Township 14 South, Range 29 East, Double L Queen Associated Pool: 1155 feet from the North line and 2145 feet from the East line; 1155 feet from the North and East lines; and 1650 fect from the North line and 1155 feet from the East line; the respective 40-acre tract would be dedicated to each well.

CASE 7002: Application of Orville Slaughter for the amendment of Order No. R-5947, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5947 to provide for the commingling of Oswell-Farmington production from his Sangre de Cristo Well No. 1 with undesignated Fruitland production from Wells Nos. 2 and 25, all in Section 34, Township 30 North, Range 11 West.

CASE 7003: Application of El Paso Natural Gas Company for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, accks authority to directionally drill a well, the surface location of which is 590 feet from the South line and 2400 feet from the East line of Section 1, Township 29 North, Range 13 West, in such a manner as to bottom it within 175 feet of a point 990 feet from the South line and 1650 feet from the West line of said Section 1.

CASE 7004: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling'all mineral interests in the Wolfcamp-Morrow formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the Allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

- CASE 6938: (Cont:
 - 8: (Continued from June 25, 1980, Examiner Hearing)

Application of Anadarko Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Dalport Federal Well No. 1 660 feet from the South and West lines of Section 20, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the W/2 of said Section 20 to be dedicated to the well.

CASE 6939: (Continued from June 25, 1980, Examiner Hearing)

Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexice. Applicant, in the above-styled cause, seeks an order pooling all mineral interests at a depth from 2400 feet to 5000 feet below the surface, Turkey Track Field, underlying the NE/4 SE/4 of Section 10, Township 19 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Page 2 of 5

Examiner Hearing - Wednesday - August 20, 1980

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CASE 6940: (Continued from July 23, 1980, Examiner Hearing)

Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6961:

(Continued from July 23, 1980, Examiner Hearing) (This case will be continued to September 17.)

Application of Conoco Inc. for a dual completion and unorthodox well location, Led County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and -Ellenburger Pools thru parallel strings of tubing, the E/2 of said Section 29 to be dedicated to the well.

CASE 7005: Application of Sol West III for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled chuse, seeks a new onehore reservoir detensination in the Morrow formation for his Turkey Track-Morrow Sand Well No. 1 in Unit I of Section 26, Township 18 South, Range 28 East.

Application of Narvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northwest Gladiola Unit Area, comprising CASE 7006: 1,280 acres, more or less, of State and fee lands in Townships 11 and 12 South, Range 37 East.

CASE 7007: Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Morrow and Atoka production in the wellbore of its North Travis 12 Deep Well No. 1 located in Unit 0 of Section 12, Township 18 South, Range 28 East.

CASE 7008:

Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre provation units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 East, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6994:

(Continued from August 6, 1980, Examiner Hearing)

Application of Enserch Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Siluro-Devonian formations underlying the N/2 of Section 14, Township 25 South, Range 34 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6996:

(Continued from August 6, 1980, Examiner Hearing)

Application of John E. Schalk for Compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 Nest, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well,

CASE 7009:

Application of Amoco Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abn, formation in the interval from 8330 feet to 9000 feet in its State "E" Tract 18 Well No. 22 in Unit G of Section 2, Township 17 South, Range 36 fast, Lovington-Abo Pool. Page 3 of 5 Examiner Rearing - Wednesday - August 20, 1980

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CASE 7010: Application of Amoco Production Company for a dual completion, unorthodox well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Myers "B" Federal Well No. 28 at an unorthodox location 330 feet from the South line and 420 feet from the West line of Section 9, Toweship 24 South, Range 37 East, to produce gas from the Jahmat Cas Pool and oil from the Langlie Mattix Pool, to be simultaneously dedicated in the gas zone with its No. 13 located in Unit L of Section 9.

CASE 7011: (This case will be continued to the September 17, 1980, hearing.)

Application of Amoco Production Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Blanco-Pictured Cliffs production in the wellbores of the following six wells: Elliott "C" No. 1, SE/4 of Section 9, Township 30 North, Range 9 West; Elliott "B" No. 8, NE/4 of Section 10; "A" Nos. 3 and 2, NE/4 and NH/4, Section 11; "D" No. 7, SW/4 of Section 11; and "E" No. 1, NM/4 of Section 14, all in Township 29 North, Range 9 West.

CASE 6981: (Continued from July 23, 1980, Examiner Hearing)

Application of Bass Enterprises Production Company for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a special gas-oil ratio limitation of 8000 to one for the Palmillo-Bone Springs Pool.

CASE 7012: Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Atoka formation for its Pardue Farms Gas Com Well No. 1 in Unit C of Section 26, Township 23 South, Range 28 East.

CASE 7013:

13: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, contracting vertical limits, and extending certain pools in Chaves, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Yates production and designated as the Byers-Yates Gas Pool. The discovery well is Exxon Corporation Bowers A Federal Well No. 37 located in Unit P of Section 30, Township 18 South, Range 38 East, NNPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM Section 30: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Jul-Atoka Gas Pool. The discovery well is Getty Oil Company West Jul B Deep Well No. 1 located in Unit H of Section 17, Township 25 South, Range 36 East, NMPH. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NHPM Section 17: E/2

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrov production and designated as the Saunders-Norrow Gas Pool with special vertical limits defined as being from the top of the Morrow formation at 12,150 feet to the top of the Mississippian at 12,445 feet, as found on the log of the discovery well, the Adobe Oil and Gas Corporation Gray 35 Well No. 1 located in Unit N of Section 35, Township 14 South, Range 33 East, NNPM. Said poel would comprise:

> TOWNSHIP 14 SOUTH, RANGE 33 EAST, NHPM Section 35: All

(d) ABOLISH the North Baua-Upper Pennsylvanian Pool in Lea County, New Mexico, described as:

Section		SOUTH, RANGE 3	Z BROE, MARTIN
Section			
		S/2 and NE/4	
Section			
Section	26:	11/2	All and a second se

Section 18: S/2 Section 19: N/2 and SE/4 Section 20: All Page 4 of 5 Examinor Hearing - Wednesday - August 20, 1980

Docket No. 26-80

(c) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 32 FAST, NMPM Section 12: SE/4 Section 23: SE/4 Section 24: S/2 and NE/4 Section 25: All Section 26: N/2 TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM Section 18: S/2 Section 19: N/2 and SE/4

(f) ABOLISH the Callina-San Andres Pool in Chaves County, New Maxico, described as:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM Section 6: NM/4

Section 20: All

(g) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANCE 32 EAST, NMPM Section 5: NM/4

(h) ABOLISH the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM Section 12: S/2 TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM Section 7: All Section 8: W/2 Section 18: N/2

(i) EXTEND the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNISHIP 19 SOUTH, RANGE 32 EAST, NMPM Section 1: S/2 Section 12: S/2 TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM Section 6: SW/4 Section 7: All Section 8: W/2 Section 18: N/2

(j) CONTRACT the vertical limits of the Saunders-Permo Pennsylvanian Pool with special vertical limits defined as being from the top of the Wolfcamp formation at 9,195 feet to 10,705 feet into Pennsylvanian formation, as found on log of Adobe Oil and Cas Corporation Gray 35 Well No. 1 located in Unit N of Section 35, Township 14 South, Range 33 East, NMPM, and redesignate said Saunders-Permo Pennsylvanian Pool to Saunders Permo-Upper Pennsylvanian Pool.

(k) EXTEND the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM Section 25: NE/4

(1) EXTEND the South Bell Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, INAPH Section 18: S/2

(m) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, MAPM Section 13: SW/4

(n) EXTEND the Custer-Devonian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM Section 36: S/2

TOWNSHIP 25 SOUTH, RANCE 36 EAST, NMPM Section 1: E/2 Page 5 of 5 Examiner Hearing - Wednesday - August 20, 1980

Docket No. 26-80

(o) EXTEND the Custer-Ellenburger Gas Pool in Lea County, New Mexico, to include therein:

TOURSHIP 24 SOUTH, RANCE 36 EAST, NMPM Section 36: 8/2

TOWNSHIP 25 SOUTH, RANCE 36 EAST, NMPM Section 1: E/2

(p) EXTEND the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM Section 19: NE/4

(q) EXTEND the Hardy-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM Section 12: NW/4

(r) EXTEND the Hardy-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM Section 12: NW/4

(s) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPH Section 3: SW/4

(t) EXTEND the South Kemnitz-Cisco Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, HMPM Section 22: SE/4 Section 27: NE/4

(u) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 32: N/2 Section 33: W/2

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM Section 4: W/2

(v) EXTEND the Querecho Plains-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, MMPM Section 35: NN/4

(w) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM Section 6: Lots 9, 10, 15, 16, and SE/4

(x) EXTEND the Northwest Todd-San Andres Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SCUTH, RANGE 35 EAST, NHPH Section 7: NE/4

(y) EXTEND the Tom-Tom San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM Section 32: SE/4 SW/4

(z) EXTEND the Warren-Tubb Gas Pool in Los County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 35: NW/4 **HEYCO**

HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS



SUITE 300, SECURITY NATIONAL BANK BUILDING 505/623-6601 ROSWELL, NEW MEXICO 68201

Cuse 7006

July 29, 1980

State of New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

Re: Application for Approval Northwest Gladiola Unit Lea County, New Mexico

Gentlemen:

Enclosed for filing is an original and two copies of the above referenced application. This matter has previously been set for examiner hearing on the August 20, 1980 Docket.

P. O. BOX 1933

Sincerely,

Robert H. Strand Attorney

Encls. RHS:klo

OCD-1 #21

ECEIVED JUL 3 0 1980 OIL CONSERVATION DIVISION SANTA FE 'n.

BEFORE THE OIL CONSERVATION DIVISION ENERGY AND MINERALS DEPARTMENT OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

Case No. 7006

APPLICATION

COMES NOW HARVEY E. YATES COMPANY by its attorney and respectfully states:

1. Applicant seeks approval of the proposed unit agreement for development and operation of the NorthwestsGladiola Unit, Lea County, New Mexico. A copy of said proposed unit agreement is attached hereto as Exhibit A.

2. The proposed unit area and unitized formations covered by said unit agreement is as follows:

Township 11 South, Range 37 East, N.M.P.M.

Section 36: All

Township 12 South, Range 37 East, N.M.P.M. Section 1: All

Containing 1,279.93 acres more or less, from the surface to all depths,

3. The Mineral ownership within the proposed unit area is as follows: State of New Mexico 50.002734% Fee $\frac{2 C E i V E D}{100.000000}$ JUL 3 0 1980 OIL CONSERVATION DIVISION

- SANTA FE

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4. Applicant is informed and believes, and upon such information and belief, states that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said unit agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of unitized substances.

5. Applicant is designated as the unit operator in said unit agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations.

6. Said unit agreement provides for the drilling of an initial test well to a depth sufficient to test the Mississippian formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

7. Applicant believes that in the event oil or gas is discovered in paying quantities on lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said unit agreement, to the end that maximum recovery will be obtained of unitized substances, and that said unit agreement will promote conservation and the prevention of waste as contemplated by the statutes of the State of New Mexico and the rules and regulations of the division.

8. Upon an order being entered by the division approving said unit agreement, and after approval of the same by the (Commissioner of Public Lands of State of New Mexico), an approved copy will be filed with the division.

WHEREFORE, applicant respectfully requests:

A. That this application be set for a hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon such hearing, the division enter its order approving said unit agreement as being in the interest of conservation and the prevention of waste.

C. For such further relief as the division deems just and proper.

DATED this 29K day of Joly, 1980.

HARVEY E. YATES COMPANY

BV

Robert H. Strand Attorney for Applicant P. O. Box 1933 Roswell, New Mexico 88201

OCD-1 #21

BEFORE THE OIL CONSERVATION DIVISION ENERGY AND MINERALS DEPARTMENT OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

Case No. 7066

APPLICATION

COMES NOW HARVEY E. YATES COMPANY by its attorney and respectfully states:

1. Applicant seeks approval of the proposed unit agreement for development and operation of the NorthwestsGladiola Unit, Lea County, New Mexico. A copy of said proposed unit agreement is attached hereto as Exhibit A.

2. The proposed unit area and unitized formations covered by said unit agreement is as follows:

> Township 11 South, Range 37 East, N.M.P.M. Section 36: All

> Township 12 South, Range 37 East, N.M.P.M.

Section 1: All

Containing 1,279.93 acres more or less, from the surface to all depths,

3. The Mineral ownership within the proposed unit area

50.002734%

49.997266%

100.000008

is as follows:



4. Applicant is informed and believes, and upon such information and belief, states that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said unit agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of unitized substances.

5. Applicant is designated as the unit operator in said unit agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations.

6. Said unit agreement provides for the drilling of an initial test well to a depth sufficient to test the Mississippian formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

7. Applicant believes that in the event oil or gas is discovered in paying quantities on lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said unit agreement, to the end that maximum recovery will be obtained of unitized substances, and that said unit agreement will promote conservation and the prevention of waste as contemplated by the statutes of the State of New Mexico and the rules and regulations of the division.

م مورد مارو 8. Upon an order being entered by the division approving said unit agreement, and after approval of the same by the (Commissioner of Public Lands of State of New Mexico), an approved copy will be filed with the division.

WHEREFORE, applicant respectfully requests:

A. That this application be set for a hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon such hearing, the division enter its order approving said unit agreement as being in the interest of conservation and the prevention of waste.

C. For such further relief as the division deems just and proper.

OCD-1 #21

DATED this 29th day of July , 1980.

HARVEY E. YATES COMPANY

By:

Robert H. Strand Attorney for Applicant P. O. Box 1933 Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION DIVISION ENERGY AND MINERALS DEPARTMENT OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

APPLICATION

Case No. 7006

COMES NOW HARVEY E. YATES COMPANY by its attorney and respectfully states:

1. Applicant seeks approval of the proposed unit agreement for development and operation of the NorthwestsGladiola Unit, Lea County, New Mexico. A copy of said proposed unit agreement is attached hereto as Exhibit A.

2. The proposed unit area and unitized formations covered by said unit agreement is as follows:

Township 11 South, Range 37 East, N.M.P.M. Section 36: All

Township 12 South, Range 37 East, N.M.P.M.

Section 1: All

Containing 1,279.93 acres more or less, from the surface to all depths,

3. The Mineral ownership within the proposed unit area

50.002734%

49.997266%

100.000008

is as follows:



SANTA FE

4. Applicant is informed and believes, and upon such information and belief, states that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said unit agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of unitized substances.

5. Applicant is designated as the unit operator in said unit agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations.

6. Said unit agreement provides for the drilling of an initial test well to a depth sufficient to test the Mississippian formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

7. Applicant believes that in the event oil or gas is discovered in paying quantities on lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said unit agreement, to the end that maximum recovery will be obtained of unitized substances, and that said unit agreement will promote conservation and the prevention of waste as contemplated by the statutes of the State of New Mexico and the rules and regulations of the division.

8. Upon an order being entered by the division approving said unit agreement, and after approval of the same by the

(Commissioner of Public Lands of State of New Mexico), an approved copy will be filed with the division. WHEREFORE, applicant respectfully requests: A. That this application be set for a hearing before an

examiner and that notice of said hearing be given as required by

B. That upon such hearing, the division enter its order approving said unit agreement as being in the interest of conservation and the prevention of waste. For such further relief as the division deems just c.

and proper.

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 $\Re(2^{3})$

DATED this 29th day of July, 1980.

HARVEY E. YATES COMPANY BY:

Attorney for Applicant P. O. Box 1933 Roswell, New Mexico 88201

OCD-1 #21

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 7006 order No. <u><u>R-6471</u></u>

APPLICATION OF HARVEY E. YATES COMPANY FOR APPROVAL OF THE NORTHWEST GLADIOLA UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on <u>September 3</u>. 19<u>80</u>, at Santa Fe, New Mexico, before Examiner <u>Daniel S. Nutter</u>. NOW, on this <u>day of September</u>, 19<u>80</u>, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, <u>Harvey E. Yates Company</u>
seeks approval of the <u>Northwest Gladiola</u> Unit Agreement
covering <u>1,280</u> acres, more or less, of <u>State</u>
and <u>Fee</u> lands described as follows:

LEA COUNTY, NEW MEXICO TOWNSHIP 11 SOUTH, RANGE 37 EAST, NAPA Section 36: All TOWNSHIP R. SOUTH, RANGE 37 EAST, NAPA Soction 1: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

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(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the <u>Northwest Gladiola</u> Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

(6) That jurisdiction of this cause is retained for the
entry of such further orders as the Division may deem necessary.
DONE at Santa Fe, New Mexico, on the day and year herein above designated.

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Called in by Bob Strand 7/28/80 Harvey E. Yates Company Unit Agreement Northwest Iladiola Unit 36-115-37E 1-125-37E Rea County 1280 acres State and fee lands