

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

CASE NO.

7006

---

APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.

Unit Name NORTHWEST GLADIOLA UNIT- EXPLORATORY  
 Operator HARVEY E. YATES  
 County LEA COUNTY, NEW MEXICO

DATE APPROVED	OCC CASE NO. 7006 OCC ORDER NO. R-6471	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE
COMMISSIONER	COMMISSION	10/20/80	1,279.93	640.00	-0-	639.93
10-20-80	9-11-80					

UNIT AREA

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

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

**TERMINATED**  
 2-20-81  
 1-17-81

Failure to start the  
 2nd Exploratory  
 1st well p & A

Unit Name NORTHWEST GLADIOLA UNIT- EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

CASE NO.	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN-FEE	SEGREGATION	TERM
ORDER NO.	DATE	ACREAGE				CLAUSE	
7006 R-6471	10/20/80	1,279.93	640.00	-0-	639.93	Yes	2yrs.

80

EAST, NMPM

EAST, NMPM

**TERMINATED**  
2-20-81  
Ebb 1-17-81

Failure to start their  
2nd exploratory well.  
1st well p & A



Unit Name NORTHWEST GLADIOLA UNIT-EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
1	V-219	C.S.	36	11S	37E	A11	7-25-80	640.00		Harvey E.

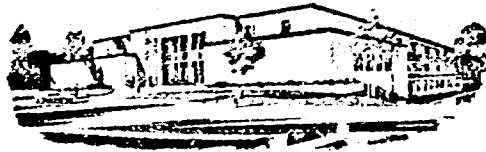
TERMINATED  
7-20-81  
2/11: 1-17-81

Unit Name NORTHWEST GLADIOLA UNIT-EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
36	11S	37E	A11	7-25-80	640.00		Harvey E. Yates Company

**TERMINATED**  
7-20-81  
2/6: 1-17-81

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO  
COMMISSIONER

July 20, 1981

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

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

7006

Re: Proposed Northwest Gladiola Unit  
Lea County, New Mexico

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

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



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

7006

Re: Proposed Northwest Gladiola Unit  
Lea County, New Mexico

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 /

**HEYCO**

PETROLEUM PRODUCERS



**HARVEY E. YATES COMPANY**

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 88201

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.

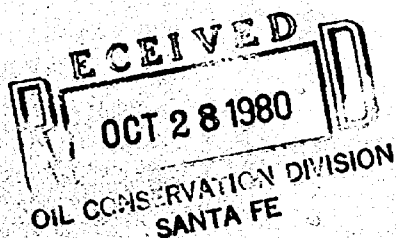
Yours truly,

*Carlyn M. Jarm*

Carlyn M. Jarm  
Land Department

CJ/lhc

G-14 #26  
Enclosures





## NEW MEXICO STATE LAND OFFICE

### CERTIFICATE OF APPROVAL

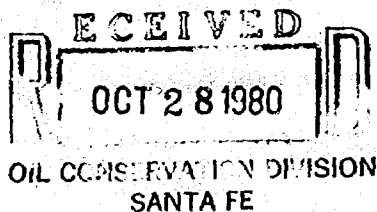
COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
NORTHWEST GLADIOLA UNIT  
LEA COUNTY, NEW MEXICO

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 July 25, 1980, 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.



*Alex J. Arroyo*  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

NORTHWEST GLADIOLA UNIT AREA

LJA COUNTY, NEW MEXICO

No. \_\_\_\_\_

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

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended  
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes  
1978 Annot.), to consent to and approve the development 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 Depart-  
ment 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 Northwest  
Gladiola Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and



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

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

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

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

11 Township 12 South, Range 37E, N.M.P.M.

12 Section 1: All

13 Section 36: All

14 Containing 1279.93 acres, more or less,

15 LEA County, New Mexico

16 Exhibit "A" attached hereto is a map showing the unit area and the bound-  
17 aries and identity of tracts and leases in said area to the extent known to the  
18 unit operator. Exhibit "B" attached hereto is a schedule showing to the extent  
19 known to the unit operator the acreage, percentage and kind of ownership of oil  
20 and gas interests in all lands in the unit area. However, nothing herein or in  
21 said schedule or map shall be construed as a representation by any party hereto as  
22 to the ownership of any interest other than such interest or interests as are shown  
23 on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised  
24 by the unit operator whenever changes in ownership in the unit area render such  
25 revisions necessary or when requested by the Commissioner of Public Lands, herein-  
26 after referred to as "Commissioner" or the Oil Conservation Division, hereinafter  
27 referred to as the "Division".

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

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

33 3. UNIT OPERATOR: Harvey E. Yates Company, whose address is  
34 Suite 300, Security National Bank Building  
35 P. O. Box 1933, Roswell, New Mexico 88201 is hereby designated as unit operator  
36 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 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. 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

1 is owned by one party to this agreement, a concurring vote of sufficient additional  
2 parties, so as to constitute in the aggregate not less than seventy-five percent  
3 (75%) of the total working interests, shall be required to select a new operator.  
4 Such selection shall not become effective until (a) a unit operator so selected  
5 shall accept in writing the duties and responsibilities of unit operator, and (b)  
6 the selection shall have been approved by the Commissioner. If no successor unit  
7 operator is selected and qualified as herein provided, the Commissioner at his  
8 election, with notice to the Division, may declare this unit agreement terminated.

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

13 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifi-  
14 cally provided herein, the exclusive right, privilege and duty of exercising any and  
15 all rights of the parties hereto which are necessary or convenient for prospecting  
16 for, producing, storing, allocating and distributing the unitized substances are  
17 hereby delegated to and shall be exercised by the unit operator as herein provided.  
18 Acceptable evidence of title to said rights shall be deposited with said unit  
19 operator and, together with this agreement, shall constitute and define the rights,  
20 privileges and obligations of the unit operator. Nothing herein, however, shall be  
21 construed to transfer title to any land or to any lease or operating agreement, it  
22 being understood that under this agreement the unit operator, in its capacity as  
23 unit operator, shall exercise the rights of possession and use vested in the parties  
24 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, 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 quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

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

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

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

1 month period thereafter, file a report with the Commissioner and Division of the  
2 status of the development of the unit area and the development contemplated for  
3 the following twelve month period, such plan of contemplated development to be  
4 approved by the Commissioner and the Division.  
5

6 It is understood that one of the main considerations for the approval of  
7 this agreement by the Commissioner of Public Lands is to secure the orderly develop-  
8 ment of the unitized lands in accordance with good conservation practices so as to  
9 obtain the greatest ultimate recovery of unitized substances.  
10

11 After discovery of unitized substances in paying quantities, unit operator  
12 shall proceed with diligence to reasonably develop the unitized area as a reasonably  
13 prudent operator would develop such area under the same or similar circumstances.  
14

15 If the unit operator should fail to comply with the above covenant for rea-  
16 sonable development this agreement may be terminated by the Commissioner as to all  
17 lands of the State of New Mexico embracing undeveloped regular well spacing or pro-  
18 ration units, but in such event, the basis of participation by the working interest  
19 owners shall remain the same as if this agreement had not been terminated as to  
20 such lands; provided, however, the Commissioner shall give notice to the unit oper-  
21 ator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N. M.  
22 Statutes 1978 Annotated), of intention to cancel on account of any alleged breach  
23 of said covenant for reasonable development and any decision entered thereunder  
24 shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes  
25 1978 Annotated) and, provided further, in any event the unit operator shall be  
26 given a reasonable opportunity after a final determination within which to remedy  
27 any default, failing in which this agreement shall be terminated as to all lands  
28 of the State of New Mexico embracing undeveloped regular well spacing or proration  
29 units.  
30

31 10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of  
32 producing unitized substances in paying quantities, the owners of working interests  
33 shall participate in the production therefrom and in all other producing wells  
34 which may be drilled pursuant hereto in the proportions that their respective lease-  
35 hold interests covered hereby on an acreage basis bears to the total number of acres  
36 committed to this unit agreement, and such unitized substances shall be deemed to  
37 have been produced from the respective leasehold interests participating therein.  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 For the purpose of determining any benefits accruing under this agreement and the  
2 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  
4 as the number of acres in each lease respectively committed to this agreement bears  
5 to the total number of acres committed hereto.  
6

1 Notwithstanding any provisions contained herein to the contrary, each working  
2 interest owner shall have the right to take such owner's proportionate share of the  
3 unitized substances in kind or to personally sell or dispose of the same, and  
4 nothing herein contained shall be construed as giving or granting to the unit operator  
5 the right to sell or otherwise dispose of the proportionate share of any working  
6 interest owner without specific authorization from time to time so to do.  
7

1 11. ALLOCATION OF PRODUCTION: All unitized substances produced from each  
2 tract in the unitized area established under this agreement, except any part thereof  
3 used for production or development purposes hereunder, or unavoidably lost, shall be  
4 deemed to be produced equally on an acreage basis from the several tracts of the  
5 unitized land, and for the purpose of determining any benefits that accrue on an  
6 acreage basis, each such tract shall have allocated to it such percentage of said  
7 production as its area bears to the entire unitized area. It is hereby agreed that  
8 production of unitized substances from the unitized area shall be allocated as pro-  
9 vided herein, regardless of whether any wells are drilled on any particular tracts  
0 of said unitized area.  
1

2 12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals  
3 due the State of New Mexico shall be paid by the respective lease owners in accordance  
4 with the terms of their leases.  
5

6 All royalties due to the State of New Mexico under the terms of the leases  
7 committed to this agreement shall be computed and paid on the basis of all unitized  
8 substances allocated to the respective leases committed hereto; provided, however,  
9 the State shall be entitled to take in kind its share of the unitized substances  
0 allocated to the respective leases, and in such case the unit operator shall make  
1 deliveries of such royalty oil in accordance with the terms of the respective leases.  
2

3 All rentals, if any, due under any leases embracing lands other than the  
4 State of New Mexico, shall be paid by the respective lease owners in accordance with  
5 the terms of their leases and all royalties due under the terms of any such leases  
6

1 shall be paid on the basis of all unitized substances allocated to the respective  
2 leases committed hereto.  
3

4 If the unit operator introduces gas obtained from sources other than the  
5 unitized substances into any producing formation for the purpose of repressuring,  
6 stimulating or increasing the ultimate recovery of unitized substances therefrom, a  
7 like amount of gas, if available, with due allowance for loss or depletion from any  
8 cause may be withdrawn from the formation into which the gas was introduced royalty  
9 free as to dry gas but not as to the products extracted therefrom; provided, that  
10 such withdrawal shall be at such time as may be provided in a plan of operation con-  
11 sented to by the Commissioner and approved by the Division as conforming to good  
12 petroleum engineering practices; and provided further, that such right of withdrawal  
13 shall terminate on the termination of this unit agreement.  
14

15 If any lease committed hereto is burdened with an overriding royalty, pay-  
16 ment out of production or other charge in addition to the usual royalty, the owner  
17 of each such lease shall bear and assume the same out of the unitized substances  
18 allocated to the lands embraced in each such lease as provided herein.  
19

20 13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY  
21 TO LANDS WITHIN THE UNITIZED AREA:  
22

23 The terms, conditions and provisions of all leases, subleases, operating  
24 agreements and other contracts relating to the exploration, drilling development  
25 or operation for oil or gas of the lands committed to this agreement, shall as of  
26 the effective date hereof, be and the same are hereby expressly modified and amended  
27 insofar as they apply to lands within the unitized area to the extent necessary to  
28 make the same conform to the provisions hereof and so that the respective terms of  
29 said leases and agreements will be extended insofar as necessary to coincide with  
30 the term of this agreement and the approval of this agreement by the Commissioner  
31 and the respective lessors and lessees shall be effective to conform the provisions  
32 and extend the terms of each such lease as to lands within the unitized area to the  
33 provisions and terms of this agreement; but otherwise to remain in full force and  
34 effect. Each lease committed to this agreement, insofar as it applies to lands with-  
35 in the unitized area, shall continue in force beyond the term provided therein as  
36 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



1 shortest term lease committed to this agreement. Termination of this agreement  
2 shall not effect any lease which pursuant to the terms thereof or any applicable  
3 laws would continue in full force and effect thereafter. The commencement, com-  
4 pletion, continued operation or production on each of the leasehold interests com-  
5 mitted to this agreement and operations or production to this agreement shall be  
6 deemed to be operations upon and production from each leasehold interest committed  
7 hereto and there shall be no obligation on the part of the unit operator or any of  
8 the owners of the respective leasehold interests committed hereto to drill offsets  
9 to wells as between the leasehold interests committed to this agreement, except as  
0 provided in Section 9 hereof.

1 Any lease embracing lands of the State of New Mexico having only a portion  
2 of its lands committed hereto shall be segregated as to the portion committed and  
3 as to the portion not committed and the terms of such leases shall apply separately  
4 as to such segregated portions commencing as of the effective date hereof. Notwith-  
5 standing any of the provisions of this agreement to the contrary, any lease embracing  
6 lands of the State of New Mexico having only a portion of its lands committed hereto  
7 shall continue in full force and effect beyond the term provided therein as to all  
8 lands embraced in such lease, if oil and gas, or either of them, are discovered  
9 and are being produced in paying quantities from some part of the lands embraced in  
0 such lease committed to this agreement at the expiration of the secondary term of  
1 such lease, or if, at the expiration of the secondary term, the lessee or the unit  
2 operator is then engaged in bona fide drilling or reworking operations on some part  
3 of the lands embraced therein shall remain in full force and effect so long as such  
4 operations are being diligently prosecuted, and they result in the production of  
5 oil or gas, said lease shall continue in full force and effect as to all of the lands  
6 embraced therein, so long thereafter as oil and gas, or either of them, are being  
7 produced in paying quantities from any portion of said lands.

8 14. CONSERVATION: Operations hereunder and production of unitized sub-  
9 stances shall be conducted to provide for the most economical and efficient recovery  
0 of said substances without waste, as defined by or pursuant to State laws or regu-  
1 lations.

2 15. DRAINAGE: In the event a well or wells producing oil or gas in paying  
3 quantities should be brought in on land adjacent to the unit area draining unitized  
4  
5  
6

1 substances from the lands embraced therein, unit operator shall drill such offset  
2 well or wells as a reasonably prudent operator would drill under the same or similar  
3 circumstances.  
4

5  
6  
7 16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to  
8 be covenants running with the land with respect to the interests of the parties  
9 hereto and their successors in interest until this agreement terminates, and any  
10 grant, transfer or conveyance of interest in land or leases subject hereto shall be  
11 and hereby is conditioned upon the assumption of all privileges and obligations  
12 hereunder to the grantee, transferee or other successor in interest. No assignment  
13 or transfer or any working, royalty, or other interest subject hereto shall be  
14 binding upon unit operator until the first day of the calendar month after the unit  
15 operator is furnished with the original, photostatic, or certified copy of the  
16 instrument of transfer.  
17

18  
19 17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon  
20 approval by the Commissioner and the Division and shall terminate in two years after  
21 such date unless (a) such date of expiration is extended by the Commissioner, or (b)  
22 a valuable discovery of unitized substances has been made on unitized land during  
23 said initial term or any extension thereof in which case this agreement shall remain  
24 in effect so long as unitized substances are being produced in paying quantities from  
25 the unitized land and, should production cease, so long thereafter as diligent oper-  
26 ations are in progress for the restoration of production or discovery of new pro-  
27 duction and so long thereafter as the unitized substances so discovered can be pro-  
28 duced as aforesaid. This agreement may be terminated at any time by not less than  
29 seventy-five percent (75%) on an acreage basis of the owners of the working interests  
30 signatory hereto, with the approval of the Commissioner and with notice to the Divi-  
31 sion. Likewise, the failure to comply with the drilling requirements of Section 8  
32 hereof, may subject this agreement to termination as provided in said section.  
33

34  
35 18. RATE OF PRODUCTION: All productions and the disposal thereof shall be  
36 in conformity with allocations, allotments, and quotas made or fixed by the Commis-  
37 sion, and in conformity with all applicable laws and lawful regulations.  
38

39  
40 19. APPEARANCES: Unit operator shall, after notice to other parties affec-  
41 ted have the right to appear for and on behalf of any and all interests affected  
42 hereby, before the Commissioner of Public Lands and the Division, and to appeal  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66



1 from orders issued under the regulations of the Commissioner or Division, or to  
2 apply for relief from any of said regulations or in any proceedings on its own  
3 behalf relative to operations pending before the Commissioner or Division; provided,  
4 however, that any other interest party shall also have the right at his own expense  
5 to appear and to participate in any such proceeding.  
6

1 20. NOTICES: All notices, demands, or statements required hereunder to be  
2 given or rendered to the parties hereto, shall be deemed fully given, if given in  
3 writing and sent postpaid registered mail, addressed to such party or parties at  
4 their respective addresses, set forth in connection with the signatures hereto or to  
5 the ratification or consent hereof, or to such other address as any such party may  
6 have furnished in writing to party sending the notice, demand, or statement.  
7

1 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the  
2 unit operator to commence or continue drilling or to operate on or produce unitized  
3 substances from any of the lands covered by this agreement, shall be suspended while,  
4 but only so long as, the unit operator, despite the exercise of due care and dili-  
5 gence, is prevented from complying with such obligations, in whole or in part, by  
6 strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable  
7 accidents, uncontrollable delays in transportation, inability to obtain necessary  
8 materials in open market, or other matters beyond the reasonable control of the  
9 unit operator, whether similar to matters herein enumerated or not.  
0

1 22. LOSS OF TITLE: In the event title to any tract of unitized land or  
2 substantial interest therein shall fail, and the true owner cannot be induced to  
3 join the unit agreement so that such tract is not committed to this agreement, or  
4 the operation thereof hereunder becomes impracticable as a result thereof, such  
5 tract may be eliminated from the unitized area, and the interest of the parties re-  
6 adjusted as a result of such tract being eliminated from the unitized area. In the  
7 event of a dispute as to the title to any royalty, working, or other interest subject  
8 hereto, the unit operator may withhold payment or delivery of the allocated portion  
9 of the unitized substances involved, on account thereof, without liability for in-  
0 terest until the dispute is finally settled, provided that no payments of funds  
1 due the State of New Mexico shall be withheld. Unit operator, as such, is relieved  
2 from any responsibility for any defect or failure of any title hereunder.  
3

4 23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit  
5  
6

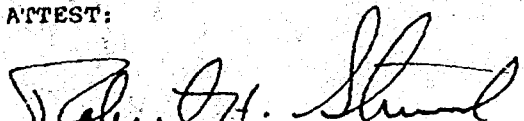
1 area not committed hereto, prior to the submission of the agreement for final  
2 approval by the Commissioner and the Division, may be committed hereto by the owner  
3 or owners of such rights, subscribing or consenting to this agreement, or executing  
4 a ratification thereof, and if such owner is also a working interest owner, by  
5 subscribing to the operating agreement providing for the allocation of costs of  
6 exploration, development and operation. A subsequent joinder shall be effective as  
7 of the first day of the month following the approval by the Commissioner and the  
8 filing with the Division of duly executed counterparts of the instrument or instru-  
9 ments committing the interest of such owner to this agreement, but such joining  
10 party or parties, before participating in any benefits hereunder, shall be required  
11 to assume and pay to unit operator, their proportionate share of the unit expenses  
12 incurred prior to such party's or parties' joinder in the unit agreement, and the  
13 unit operator shall make appropriate adjustments caused by such joinder, without  
14 any retroactive adjustment or revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counter-  
parts, 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 agree-  
ment to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

ATTEST:

  
Assistant Secretary

HARVEY E. YATES COMPANY

By:   
George M. Yates, Vice President

DATE: July 25, 1980

STATE OF NEW MEXICO           )  
  )    §§  
COUNTY OF CHAVES            )

The foregoing instrument was acknowledged before me this 25th day of  
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


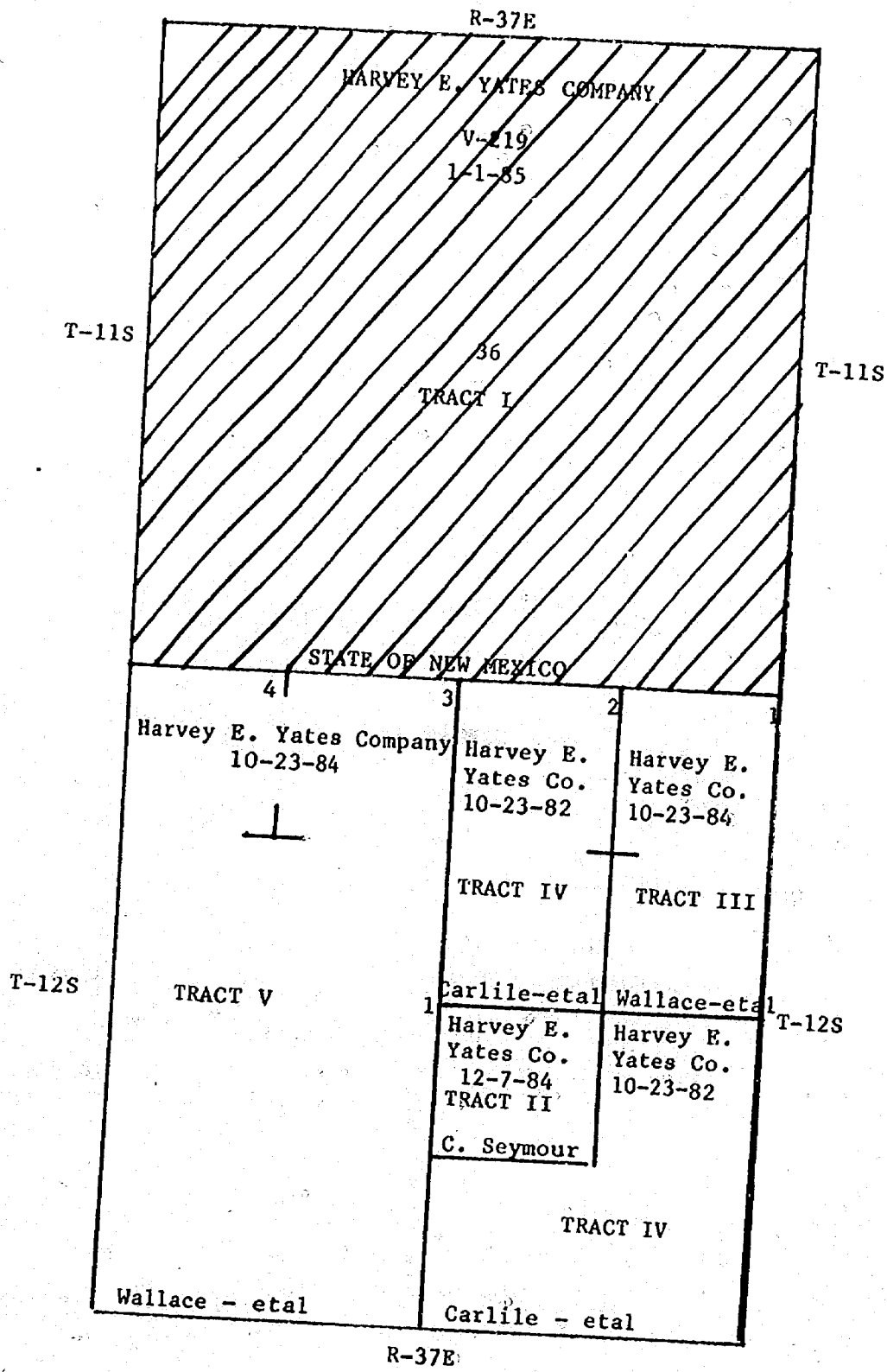
OFFICIAL SEAL  
  
Signed Carolyn M. Jarm  
CAROLYN M. JARM  
NOTARY PUBLIC - NEW MEXICO  
Notary Public  
My Commission Expires 3/26/83

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 SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTSNORTHWEST 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	
<u>TOWNSHIP 11 SOUTH, RANGE 37 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>							
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 Petro- leum, Inc. .75% R. C. Smith .25%	Ha Co Sp Fr Ex le
STATE OF NEW MEXICO LANDS: 640.0 Acres (50.002% of Unit)							
<u>PATENTED (FEE) LANDS: - TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>							
2	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.0	Fee 12-7-84	Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro- leum, Inc. .75% R. C. Smith .25%	Ha Co Sp Fr Ex le
3	Sec. 1: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$	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 Petro- leum, Inc. .75% R. C. Smith .25%	Ha Co Sp Fr Ex le

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
<u>N.M.P.M. - STATE OF NEW MEXICO LANDS</u>					
640.0	V-219 1-1-85	ST. of New Mexico All - 12.5%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro- leum, Inc. .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%
Acres (50.002% of Unit)					
<u>SHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>					
40.0	Fee 12-7-84	Mettie L. Mea- dows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro- leum, Inc. .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%
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 Petro- leum, Inc. .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

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	WORKING INTEREST
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Petro- .75% leum, Inc. R. C. Smith .25%	Harvey Compan Spiral Fred G  Explor leum C
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Petro- .75% leum, Inc. R. C. Smith .25%	Harvey Compan Spiral Fred G  Explor leum C
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 15.625%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro- .75% leum, Inc. R. C. Smith .25%	Harvey Compan Spiral Fred G  Explor leum C

EXHIBIT "B"

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

NORTHWEST GLADIOLA UNIT  
LEA COUNTY, NEW MEXICO

AND	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
NE $\frac{1}{4}$ , SE $\frac{1}{4}$	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 Petro- leum, Inc. .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%
NE $\frac{1}{4}$ , SE $\frac{1}{4}$	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 Petro- leum, Inc. .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%
NE $\frac{1}{4}$ , SE $\frac{1}{4}$	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 15.625%	Harvey E. Yates Company 100%	W. T. Wynn .50% Corbett Petro- leum, Inc. .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 INTERESTSNORTHWEST 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	
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Petro- .75% leum, Inc. R. C. Smith .25%	Ha Co Sp Fr
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	319.94 Gross (16.0 Net)	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 Petro- .75% leum, Inc. R. C. Smith .25%	Ha Co Sp Fr
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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% Corbett Petro- .75% leum, Inc. R. C. Smith .25%	Ha Co Sp Fr



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
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 Petro- leum, Inc. .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%
319.94 Gross (16.0 Net)	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 Petro- leum, Inc. .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%
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% Corbett Petro- leum, Inc. .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

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	
<u>PATENTED (FEE) LANDS:</u>							
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Petro- leum, Inc. .75% R. C. Smith .25%	Har Com Spi Fre  Exp leu
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Petro- leum, Inc. .75% R. C. Smith .25%	Har Com Spi Fre  Exp leu
5.	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Petro- leum, Inc. .75% R. C. Smith .25%	Har Com Spi Fre  Exp leu

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

## 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
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 Petro- leum, Inc. .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%
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 Petro- leum, Inc. .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%
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 Petro- leum, Inc. .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%

Acres (49.998% of Unit)

APPLICATION NO. V-219

1ST day of JANUARY

HARVEY E. YATES COMPANY

BOX 1933, ROSWELL, NEW MEXICO 88201

WITNESSETH:

WHEREAS, all of the requirements of law 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  
 NO/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 lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas, or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty 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 pull 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:

[illegible]

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.

Said lands having been awarded to lessee and designated as Tract No. V-0-1 at a public sale held by the commissioner of public lands on 12/18, 1979. (To be filled in only where lands are offered at public sale.)

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:

1. Subject to the free use without royalty, as hereinbefore provided, 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 oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore 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, 1/6 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 (\$.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 twenty-five-thousandths pounds per square inch absolute, at sixty degrees Fahrenheit, 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 gravimeter 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 sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor, 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 lease 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 action to be 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 lands 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 dollars (\$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 shut-in 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 being marketed from said leasehold 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 lessor 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 lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of 25¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars (\$6.00).

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, lessor, 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 lessee 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 less 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 assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor 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 leased 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 sold unless and until the lessee or his assignee 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 deems 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 lessor, 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 from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.



13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered or certified mail, addressed to the post office address of such lessee 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 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 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 made by the lessee 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 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 drill the same with due diligence. Operations commenced and continued as herein provided shall 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 long 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 thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease 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 seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By:

*Alex J. Amigo*  
Commissioner of Public Lands, Lessor

HARVEY E. YATES COMPANY

By:

*George N. Yates* (Seal)  
George N. Yates Lessee Vice President

Distributed this 18 day of DEC 1979, 19    .

(PERSONAL ACKNOWLEDGMENT)

STATE OF..... } ss.  
COUNTY OF..... }

The foregoing instrument was acknowledged before me this..... day of....., 19....., by

My commission expires:..... Notary Public

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF..... } ss.  
COUNTY OF..... }

The foregoing instrument was acknowledged before me this..... day of....., 19....., by  
..... as attorney-in-fact in behalf of

My commission expires:..... Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF New Mexico } ss.  
COUNTY OF Chaves }

The foregoing instrument was acknowledged before me this 21st day of January, 1980, by

George N. Yates Vice President of HARVEY E. YATES COMPANY  
(Name) (Title) (Corporation)  
New Mexico corporation, on behalf of said corporation.

My commission expires: July 3, 1981 Alice L. Bliss Notary Public

BOOK 321 PAGE 224

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of October, 1979, between

First National Bank of Lea County, Trustee for Donovan D. Wallace

(Post Office Address)

herein called lessor (whether one or more) and HARVEY E. YATES COMPANY, P. O. Box 1933, Roswell, NM 88201, lessee.

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

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

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 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 5/32 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the well may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, 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 well the royalty shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender in advance annual shut-in royalty equal to the amount of royalty which would be received if the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

at continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement endorses lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

\*12. 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 payments.

ATTEST:  
[Signature]  
Asst. Cashier

FIRST NATIONAL BANK OF LEA COUNTY,  
TRUSTEE FOR DONOVAN D. WALLACE  
By: [Signature]  
Trust Administration Office

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

No. **15579**  
OIL AND GAS LEASE  
NEW MEXICO  
FROM \_\_\_\_\_  
TO \_\_\_\_\_  
Date \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, New Mexico  
Term \_\_\_\_\_  
STATE OF NEW MEXICO  
COUNTY OF LEA  
I hereby certify that this instrument was filed for  
record on the 19 day of March,  
A. D. 1979, at 1:35 o'clock P. m., and  
was duly recorded in Book 321 at Page 225  
of the Records of said County  
By Jane H. Smith County Clerk.  
By Paul M. Smith Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of LEA

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of October, 1979  
by Lucille Dailey Trust Administration Officer  
of FIRST NATIONAL BANK OF LEA COUNTY a corporation  
on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
by \_\_\_\_\_ President  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
in behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public



BOOK 321 PAGE 226

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of October 1979, between

FIRST NATIONAL BANK OF LEA COUNTY, TRUSTEE FOR CLARENCE C. WALLACE

of (Post Office Address)

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

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

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 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons 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; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, 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 shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository change is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank, or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement conforms to the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the decedent or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

12. 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 payments executed the day and year first above written.

ATTEST:

Asst. Cashier

FIRST NATIONAL BANK OF LEA COUNTY,  
TRUSTEE FOR CLARENCE C. WALLACE

By:

Louise Bailey  
Trust Administration Office

STATE OF NEW MEXICO,

County of \_\_\_\_\_

BOOK 321 PAGE 227  
INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

No. 10001  
OIL AND GAS LEASE  
NEW MEXICO  
FROM \_\_\_\_\_ TO \_\_\_\_\_  
Date \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, New Mexico  
Term \_\_\_\_\_  
STATE OF NEW MEXICO  
COUNTY OF LEA  
I hereby certify that this instrument was filed for record on the 14th day of March, A. D. 1979, at 1:35 p.m., and was duly recorded in Book 321 at Page 226 of the Records of said County.  
By \_\_\_\_\_  
Deputy  
County Clerk

STATE OF NEW MEXICO

County of LEA

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of October, 1979 by Lucille Dailey

of FIRST NATIONAL BANK OF LEA COUNTY on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
Trust Administration Officer  
OFFICIAL SEAL  
Signature Christine Butler  
CHRISTINE BUTLER  
NOTARY PUBLIC NEW MEXICO  
NOTARY BOND FILED WITH SECRETARY OF STATE  
CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)  
10/15/80  
Notary Public

STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ of \_\_\_\_\_ on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_  
President  
corporation  
Notary Public

BOOK 321 PAGE 228

## OIL &amp; GAS LEASE

THIS AGREEMENT made this 23rd day of October 1979, between

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 royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, including gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

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

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

Section 1: Lots 3, 4, S $\frac{1}{4}$ NW $\frac{1}{4}$  and SW $\frac{1}{4}$  (being the W $\frac{1}{2}$ )

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.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 5/32 of that produced and saved from said land, same to be delivered at the well or to the credit of the lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-liquid substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, 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 well the royalty shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used, and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender in advance annual shut-in royalty equal to the shut-in royalty provided for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

at which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for a better acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon such commitment the provisions of this lease shall be confirmed to the unit agreement.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments, or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

12. 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 payments

Executed the day and year first above written.

Mary Irene Dean

STATE OF NEW MEXICO,

BOOK 321 PAGE 229

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1979, by Mary Irene Dean, dealing in her sole and separate estate.

My Commission expires \_\_\_\_\_, 1979.

Rydia E. G. Dean  
Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_.

Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_.

Notary Public

STATE OF \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_.

Notary Public

No. <u>1000</u>	
OIL AND GAS LEASE NEW MEXICO	
FROM	TO
Date _____, 19____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO COUNTY OF _____	
I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 1979, at 1:35 o'clock p.m., and was duly recorded in Book <u>321</u> at Page <u>229</u> of the Records of said County.	
<u>James Lee Smith</u> County Clerk.	
<u>James Lee Smith</u> Deputy.	

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public



BOOK 321 PAGE 230

# OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of

October

1979, between

Virgil V. Wallace, dealing in his 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 royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

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

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

Section 1: Lots 3, 4, S $\frac{1}{4}$ NW $\frac{1}{4}$  and SW $\frac{1}{4}$  (being the W $\frac{1}{2}$ )

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.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons 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; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, 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 shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of shut-in royalty for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

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

at which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank for any successor bank shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 proration 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junk the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessor on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

\*12. 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 payments

Virgil V. Wallace

Virgil V. Wallace

ARIZONA  
STATE OF ~~NEW MEXICO~~

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of San Juan

The foregoing instrument was acknowledged before me this 5 day of November, 1972 by WILLIAM WALLACE, dealing in his sole and separate estate

My Commission expires 21, 1982

Conrad Smith  
Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

No. <u>1000</u>	
OIL AND GAS LEASE NEW MEXICO	
FROM	TO
Date _____, 19____	
Section _____, Township _____, Range _____	
No. of Acres _____	
Term _____	
County, New Mexico	
STATE OF NEW MEXICO COUNTY OF <u>San Juan</u>	
I hereby certify that this instrument was filed for record on the <u>4th</u> day of <u>November</u> , A. D. 19 <u>79</u> at <u>1:35</u> o'clock <u>P.</u> m., and was duly recorded in Book <u>321</u> at Page <u>230</u> of the Records of said County.	
By <u>Will Wallace</u> Deputy	<u>Conrad Smith</u> County Clerk

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public



OIL & GAS LEASE

21st December

THIS AGREEMENT made this 21st day of December, 1979, between

H. D. Witherspoon and wife, Enid Witherspoon

910 West Avenue J, Lovington, New Mexico 88260

HARVEY E. YATES COMPANY, P.O. Box 1933, Roswell, NM 882

herein called lessor (whether one or more) and Lessee:  
 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Lea County, New Mexico, to-wit:  
 Township 12 South, Range 37 East, N.M.P.M.  
 Section 1: W $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$

For the purpose of calculating the rental payments hereinafter 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 lease shall remain in force for a term of five years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay royalty provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Even such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 \* B. PERTY Nat. Bank (Bd.) of N. M. Bank

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junk the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

12. 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 payments.

Enid Witherspoon  
 Enid Witherspoon

H. D. Witherspoon  
 H. D. Witherspoon

STATE OF NEW MEXICO

County of Albuquerque

The foregoing instrument was acknowledged before me this 11 day of December 19 33 by H. D. Witherspoon and wife, Enid Witherspoon

My Commission expires Aug 5, 19 33 Eric C. Willoughby  
Notary Public

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_  
Notary Public

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_  
Notary Public

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO  
COUNTY OF Albuquerque  
I hereby certify that this instrument was filed for record on the 23 day of January A. D. 19 33 at 2:00 o'clock P. m., and was duly recorded in Book 324 at Page 414 of the Records of said County.  
By Eric C. Willoughby County Clerk  
By Enid Witherspoon Deputy

TO \_\_\_\_\_  
FROM \_\_\_\_\_  
OIL AND GAS LEASE  
NEW MEXICO  
No. 10020  
Term \_\_\_\_\_  
County, New Mexico  
No. of Acres \_\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, 19 \_\_\_\_\_  
Date \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by \_\_\_\_\_, President of \_\_\_\_\_ corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by \_\_\_\_\_, President of \_\_\_\_\_ corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public

BOOK 321 PAGE 232

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of October 1979, between

Bethany Nazarene College

(Post Office Address)

herein called lessor (whether one or more) and HARVEY E. YATES COMPANY, P. O. Box 1933, Roswell, NM 88201, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

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

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

Section 1: Lot 2, SW/4 NE/4, E/2 SE/4, SW/4 SE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 200.0 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons 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; (b) on gas, including casinghead gas and all gasous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, 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 well the royalty shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the average then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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

See Rental Division Order

or tender may be made to the lessor or to the credit of the lessor in the Bank

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 proration 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

12. 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 payments.

Executed the day and year first above written.

ATTEST:

By:

BETHANY NAZARENE COLLEGE

By:

STATE OF NEW MEXICO,

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

Notary Public

By [Signature]  
County Clerk  
Deputy

of the Records of said County  
was duly recorded in Book 321 at Page 232

A. D. 19 79 at 1:35 o'clock P. m., and  
record on the 15th day of October

I hereby certify that this instrument was filed for  
record on the 15th day of October

STATE OF NEW MEXICO  
COUNTY OF [Signature]  
Term \_\_\_\_\_ County, New Mexico

No. of Acres \_\_\_\_\_  
Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_  
Date \_\_\_\_\_ 19\_\_\_\_

TO

FROM

OIL AND GAS LEASE  
NEW MEXICO

No. 15587

STATE OF NEW MEXICO  
County of \_\_\_\_\_

The foregoing instrument was acknowledged before me, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_ of \_\_\_\_\_ on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF OKLAHOMA  
County of OKLAHOMA

The foregoing instrument was acknowledged before me this 15th day of October, 19 79 by John A. Knight of BETHANY NAZARENE COLLEGE on behalf of said corporation.

My Commission Expires: 3-15-83

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

day of October, 19 79

President

corporation

Notary Public



BOOK 321 PAGE 190 15456 OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of October 1979, between

Herman H. Wallace, Individually, and as Personal Representative for the Estate of Fred O. Wallace, deceased; Elinor Ruth Wallace, his wife; and Ida Mae Stevenson, a widow

of (Post Office Address)

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

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

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

Section 1: Lots 1, 2, 3, 4, S/2 N/2, SW/4, E/2 SE/4 and SW/4 SE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 600.0 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 5/32 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, 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 shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the average then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

at which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bank file attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from any part of any such unit shall be considered for all purposes covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

\*12. 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 payment

Executed the day and year first above written.

Elinor Ruth Wallace  
Elinor Ruth Wallace

Ida Mae Stevenson  
Ida Mae Stevenson

Herman H. Wallace, Individually, and as  
Personal Representative for the estate of  
Fred O. Wallace, deceased

STATE OF NEW MEXICO,

County of ROOSEVELT

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 25 day of October, 19 79 by Herman H. Wallace, Personal Representative of the Estate of Fred O. Wallace, deceased

My Commission expires \_\_\_\_\_



Signature Marie Robinson  
MARIE ROBINSON

Notary Public

STATE OF NEW MEXICO,

County of ROOSEVELT

NOTARY PUBLIC - NEW MEXICO  
NOTARY BOND FILED WITH SECRETARY OF STATE  
My Commission Expires July 9, 1980

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 25 day of October, 19 79 by Herman H. Wallace and his wife, Elinor Ruth Wallace

My Commission expires \_\_\_\_\_



Signature Marie Robinson  
MARIE ROBINSON

Notary Public

STATE OF NEW MEXICO,

County of ROOSEVELT

NOTARY PUBLIC - NEW MEXICO  
NOTARY BOND FILED WITH SECRETARY OF STATE  
My Commission Expires July 9, 1980

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 25 day of October, 19 79 by Ida Mae Stevenson, a widow

My Commission expires \_\_\_\_\_



Signature Marie Robinson  
MARIE ROBINSON

Notary Public

STATE OF

County of \_\_\_\_\_

NOTARY PUBLIC - NEW MEXICO  
NOTARY BOND FILED WITH SECRETARY OF STATE  
My Commission Expires July 9, 1980

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO  
COUNTY OF ROOSEVELT  
I hereby certify that this instrument was filed for record on the 30 day of March, A. D., 19 79, at 1:55 o'clock P. m., and was duly recorded in Book 321 at Page 190 of the Records of said County.  
James Fred Smith  
County Clerk  
Deputy

Term \_\_\_\_\_  
Date \_\_\_\_\_, 19 \_\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, New Mexico  
FROM \_\_\_\_\_ TO \_\_\_\_\_  
OIL AND GAS LEASE  
NEW MEXICO  
No. 10156

STATE OF NEW MEXICO

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public



# OIL & GAS LEASE

THIS AGREEMENT made this 7th day of December 1979, between

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

(Post Office Address)

HARVEY E. YATES COMPANY, P. O. Box 1933, Roswell, NM 88201

herein called lessor (whether one or more) and Lessee  
1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

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

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

Section 1: NW/4 SE/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 40.0 acres, whether it actually comprises more or less.

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

3. The royalty to be paid by lessee here: (a) on oil, and on other liquid hydrocarbons 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; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, 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 shall be 5/32 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to 5/32 of the amount realized from the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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 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 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 Bank

Roswell, New Mexico 88201

at which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository change is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a 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 lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or 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 production 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 land 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. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embodies limits of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon 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, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee 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 resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have 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 lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for 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, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

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

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

\*12. 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 payment Executed the day and year first above written.

Mattie L. Meadows Seymour  
Mattie L. Meadows Seymour

Social Security Number: 429-19-1390

STATE OF NEW MEXICO,

County of CHANDLER

## INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 11th day of December, 1979 by Mattie L. Meadows Seymour, widow of Carl Seymour, deceased.

My Commission expires July 27, 1980, 1980

Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

## INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

## INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

## INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_ Notary Public

No. <b>15955</b>	
OIL AND GAS LEASE NEW MEXICO	
FROM	TO
Date _____, 19____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO COUNTY OF _____	
I hereby certify that this instrument was filed for record on the <u>12th</u> day of <u>December</u> , A. D. 19 <u>79</u> , at <u>11:35</u> o'clock <u>A</u> . m., and was duly recorded in Book <u>321</u> at Page <u>300</u>	
of the Records of said County	
<u>Donna Smith</u> County Clerk	<u>Donna Smith</u> Deputy

STATE OF NEW MEXICO

County of \_\_\_\_\_

## CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires \_\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

## CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires \_\_\_\_\_ Notary Public

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.

WITNESS:

*Mr. T. T. T. T.*  
*Mr. T. T. T. T.*

*Randolph C. Smith*  
Randolph C. Smith

*Charlotte A. Smith*  
Charlotte A. Smith, his wife

STATE OF TEXAS     )  
COUNTY OF *midland* )

The foregoing instrument was acknowledged before me this 19 day of August, 1980, by RANDOLPH C. SMITH and CHARLOTTE A. SMITH, his wife.

My Commission Expires:

JAN PFISTER, Notary Public  
My Commission Expires July 11, 1981

*Jan Pfister*  
Notary Public

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:

CORBETT PETROLEUM, INC.

*A. Corbett C. Lattu*  
Secretary

*Andy C. Lattu*  
Andy C. Lattu, President

STATE OF TEXAS       )  
COUNTY OF Midland )

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

My Commission Expires:

FRAN SHAMBURGER  
My Commission Expires

3-31- 19 81

*Fran Shamburger*  
Notary Public

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.

WITNESS:

RC Smith

W. T. Wynn

W. T. Wynn

RC Smith

Margaret Wynn

Margaret Wynn, his wife

STATE OF TEXAS       )  
                              )  
COUNTY OF            )

The foregoing instrument was acknowledged before me this 19 day of August, 1980, by W. T. WYNN and MARGARET WYNN, his wife.

My Commission Expires:

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

JAN PFISTER  
Notary Public

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 acknowledgments.

ATTEST:

J. E. Ciesinski  
Secretary

SPIRAL, INC.

By: Harvey E. Yates  
Harvey E. Yates, President

ATTEST:

Arlene Rowland  
Asst. Secretary

FRED G. YATES, INC.

By: Fred G. Yates  
Fred G. Yates, President

ATTEST:

J. E. Ciesinski  
Asst. Secretary

EXPLORERS PETROLEUM CORPORATION

By: George A. Yates  
George A. Yates, President

STATE OF NEW MEXICO )

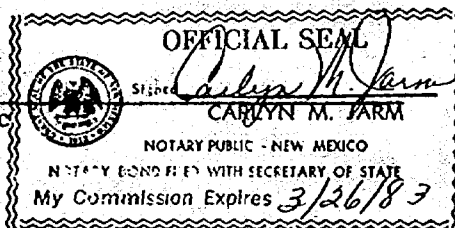
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of August, 1980, by HARVEY E. YATES, President of SPIRAL, INC., a New Mexico Corporation, on behalf of said corporation.

My Commission Expires:

March 26, 1983

Notary Public





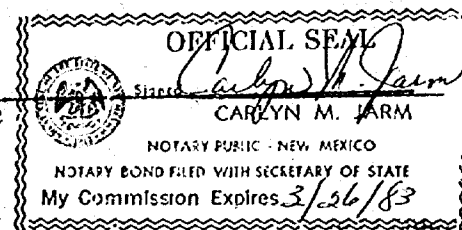
STATE OF NEW MEXICO )  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of August, 1980, by FRED G. YATES, President of FRED G. YATES, INC., a New Mexico Corporation, on behalf of said corporation.

My Commission Expires:

March 26, 1983

Notary Public



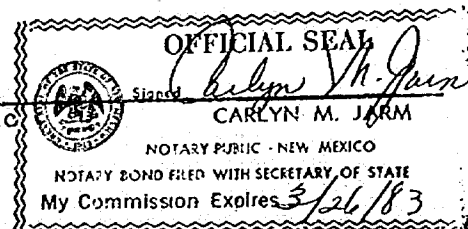
STATE OF NEW MEXICO )  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of August, 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

Notary Public



Unit Name NORTHWEST GLADIOLA UNIT- EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

OC

DATE APPROVED	OCC CASE NO. 7006 OCC ORDER NO. R-6471	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SECRET CLASS
COMMISSIONER	COMMISSION	10/20/80	1,279.93	640.00	-0-	639.93	Yes
10-20-80	9-11-80						

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

OC 4

NO. 7006 NO. R-6471	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	<del>INDIAN</del> -FEE	SEGREGATION CLAUSE	TERM
	10/20/80	1,279.93	640.00	-0-	639.93	Yes	2yrs.

NMPM

NMPM

Unit Name NORTHWEST GLADIOLA UNIT-EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
1	V-219	C.S.	36	11S	37E	A11	7-25-80	640.00	Harve

Unit Name NORTHWEST GLADIOLA UNIT-EXPLORATORY  
Operator HARVEY E. YATES  
County LEA COUNTY, NEW MEXICO

SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
6	11S	37E	A11	7-25-80	640.00		Harvey E. Yates Company

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
3 September 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-  
pany for a unit agreement, Lea  
County, New Mexico.

CASE  
7006

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Robert H. Strand, Esq.  
Harvey E. Yates Company  
Roswell, New Mexico 88201

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



I N D E X

GEORGE M. YATES

Direct Examination by Mr. Strand 3

Cross Examination by Mr. Nutter 6

RANDOLPH C. SMITH

Direct Examination by Mr. Strand 7

Cross Examination by Mr. Nutter 9

E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, Unit Agreement 4

Applicant Exhibit Three, Structure Map 8

Applicant Exhibit Four, Cross Section 8

SALLY W. BOYD, C.S.R.

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

1  
2 MR. NUTTER: We'll call next Case Number  
3 7006.

4 MR. PADILLA: Application of Harvey E.  
5 Yates Company for a unit agreement, Lea County, New Mexico.

6 MR. STRAND: Mr. Examiner, Robert Strand,  
7 attorney from Roswell, appearing for the applicant, and I  
8 have the same two witnesses.

9 MR. NUTTER: They're still under oath.

10  
11 GEORGE M. YATES  
12 being called as a witness and having been duly sworn upon  
13 his oath, testified as follows, to-wit:

14 DIRECT EXAMINATION

15 BY MR. STRAND:

16 Q State your full name for the record.

17 A George M. Yates.

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

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

23 Q Will you please state the purpose of the  
24 application in Case Number 7006?

25 A HEYCO seeks approval of our proposed

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

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

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

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

6 A Yes, it does.

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

9 A Exhibit Number One is a land plat showing  
10 the proposed unit boundary and the proposed initial test well.

11 Q Mr. Yates, would you please state the  
12 breakdown of mineral ownership under the proposed unit in  
13 percentages?

14 A Yes. The acreage ownership is almost  
15 equally divided between State lease land and fee minerals.  
16 The State of New Mexico has 50.002734 percent; fee minerals  
17 represent 49.997266 percent of the unit.

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

20 A Exhibit Number Two is the proposed unit  
21 agreement.

22 Q Mr. Yates, does the proposed unit agree-  
23 ment designate Harvey E. Yates Company as operator?

24 A Yes, it does.

25 Q What provisions does the agreement make

1 as to initial test well?

2 A. The unit agreement provides for the ini-  
3 tial test well to be drilled to the Mississippian formation  
4 but the operator is not required to drill in excess of 12,000  
5 feet.

6 Q. What are the primary objectives?

7 A. The primary objectives of this test in-  
8 clude the Upper Penn Section, Canyon, Cisco sections, Upper  
9 Penn, Lower Permian, Wolfcamp sections.

10 Secondary objectives include the Atoka  
11 Sand, the Mississippian formation is also a primary objective.

12 Q. When do you anticipate the proposed ini-  
13 tial well would be commenced?

14 A. We anticipate within 120 days of the ef-  
15 fective date of the unit agreement, but in fact, we antici-  
16 pate beginning this test within two weeks.

17 Q. Mr. Yates, what is the status of commit-  
18 ment by royalty owners under the proposed unit?

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

23 MR. NUTTER: All of them?

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

SALLY W. BOYD, C.S.R.

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

1 preliminary basis.

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

4 A All of it is committed.

5 MR. NUTTER: Is HEYCO the working interest  
6 owner throughout the entire 1280 acres?

7 A HEYCO is the primary interest owner, Mr.  
8 Examiner, but there are other interest owners that are asso-  
9 ciated HEYCO companies.

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

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

14 A Yes, they do. Yes, they were.

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

17  
18 CROSS EXAMINATION

19 BY MR. NUTTER:

20 Q In other words, Mr. Yates, all of the  
21 working interest is committed to the unit. All of the royalty  
22 interest is committed to the unit, with the exception of the  
23 State royalty interest. That has been tentatively committed.

24 The remainder of the fee royalty owners  
25 are committed by virtue of the unitization clause in the

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

SALLY W. BOYD, C.S.R.

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

1 leases, and the overriding royalties have committed?

2 A That's correct.

3 Q Okay.

4 MR. NUTTER: Are there any further ques-  
5 tions of the witness? He may be excused.

6  
7 RANDOLPH C. SMITH

8 being called as a witness and having been previously sworn  
9 upon his oath, testified as follows, to-wit:

10  
11 DIRECT EXAMINATION

12 BY MR. STRAND:

13 Q State your name for the record.

14 A 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 in Midland, Texas.

19 MR. STRAND: Mr. Examiner, is Mr. Smith  
20 still considered qualified?

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



1 relating to this application?

2 A Yes, sir, I have.

3 Q I refer you to Exhibit Number Three. Will  
4 you please describe that exhibit?

5 A Yes. Exhibit Number Three is an inte-  
6 grated seismic subsurface control structure map on top of the  
7 Wolfcamp, contour interval at 100 feet.

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

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

15 The unit that we are proposing, Section  
16 36 of 11, 37, and Section 1 of 12, 37, encompasses what we  
17 believe to be the whole structural feature as shown in the  
18 closure on this map.

19 Q You referred to Exhibit Number Four, Mr.  
20 Smith. Will you explain that in more detail?

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

23 MR. NUTTER: That's all right.

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

SALLY W. BOYD, C.S.R.

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

SALLY W. BOYD, C.S.R.

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

posed unit, showing the primary objective as the Wolfcamp Bank, which is colored in blue. The proposed depth of the well is estimated as the total depth of 12,000 feet; as Mr. Yates also suggested, another primary objective is Austin-Mississippian and the Middle and Upper Pennsylvanian carbonates.

On this cross section is our proposed location, also, which is marked by a red arrow. It lies between the H. L. Brown Barthelomew Well and the Lowe Humble Well in Section 36, 11, 37.

Q Mr. Smith, in the event of discovering oil and gas in paying quantities under this unit, is it your opinion that approval of this application will maximize recovery of unitized substances and otherwise promote conservation, protect correlative rights, and prevent waste?

A Yes, it will.

Q Were Exhibits Three and Four prepared by you?

A Yes, they were.

MR. STRAND: I have no further questions, Mr. Examiner.

#### CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Smith, why isn't the Devonian consi-

1 dered to be a possibility here?

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

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

7 A. That is correct, sir.

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

10 A. It is possible, yes.

11 Q. There is Devonian production in the neigh-  
12 borhood, is there not?

13 A. That is correct.

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

16 A. That is also correct.

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

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

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

25 A. No, sir, it is not.

SALLY W. BOYD, C.S.R.

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

1 Q I see.

2 MR. NUTTER: Are there any further ques-  
3 tions of Mr. Smith? He may be excused.

4 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-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7006  
heard by me on 9/3 1980.

[Signature], Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
3 September 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-  
pany for a unit agreement, Lea  
County, New Mexico.

CASE  
7006

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Robert H. Strand, Esq.  
Harvey E. Yates Company  
Roswell, New Mexico 88201

SALLY W. BOYD, C.S.R.

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



I N D E X

GEORGE M. YATES

Direct Examination by Mr. Strand	3
Cross Examination by Mr. Nutter	6

RANDOLPH C. SMITH

Direct Examination by Mr. Strand	7
Cross Examination by Mr. Nutter	9

E X H I B I T S

Applicant Exhibit One, Plat	4
Applicant Exhibit Two, Unit Agreement	4
Applicant Exhibit Three, Structure Map	8
Applicant Exhibit Four, Cross Section	8

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

SALLY W. BOYD, C.S.R.

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

Page 3

1 MR. NUTTER: We'll call next Case Number  
2 7006.

3 MR. PADILLA: Application of Harvey E.  
4 Yates Company for a unit agreement, Lea County, New Mexico.

5 MR. STRAND: Mr. Examiner, Robert Strand,  
6 attorney from Roswell, appearing for the applicant, and I  
7 have the same two witnesses.

8 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 Q State your full name for the record.

17 A George M. Yates.

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

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

23 Q Will you please state the purpose of the  
24 application in Case Number 7006?

25 A HEYCO seeks approval of our proposed

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

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

6 A Yes, it does.

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

9 A Exhibit Number One is a land plat showing  
10 the proposed unit boundary and the proposed initial test well.

11 Q Mr. Yates, would you please state the  
12 breakdown of mineral ownership under the proposed unit in  
13 percentages?

14 A Yes. The acreage ownership is almost  
15 equally divided between State lease land and fee minerals.  
16 The State of New Mexico has 50.002734 percent; fee minerals  
17 represent 49.997266 percent of the unit.

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

20 A Exhibit Number Two is the proposed unit  
21 agreement.

22 Q Mr. Yates, does the proposed unit agree-  
23 ment designate Harvey E. Yates Company as operator?

24 A Yes, it does.

25 Q What provisions does the agreement make

SALLY W. BOYD, C.S.R.

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

1 as to initial test well?

2 A. The unit agreement provides for the ini-  
3 tial test well to be drilled to the Mississippian formation  
4 but the operator is not required to drill in excess of 12,000  
5 feet.

6 Q. What are the primary objectives?

7 A. The primary objectives of this test in-  
8 clude the Upper Penn Section, Canyon, Cisco sections, Upper  
9 Penn, Lower Permian, Wolfcamp sections.

10 Secondary objectives include the Atoka  
11 Sand, the Mississippian formation is also a primary objective

12 Q. When do you anticipate the proposed ini-  
13 tial well would be commenced?

14 A. We anticipate within 120 days of the ef-  
15 fective date of the unit agreement, but in fact, we antici-  
16 pate beginning this test within two weeks.

17 Q. Mr. Yates, what is the status of commit-  
18 ment by royalty owners under the proposed unit?

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

23 MR. NUTTER: All of them?

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

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

SALLY W. BOYD, C.S.R.

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

1 preliminary basis.

2 Q interest owners?

What is the status of commitment by working

3 A All of it is committed.

4 MR. NUTTER: Is HEYCO the working interest  
5 owner throughout the entire 1290 acres?

6 A HEYCO is the primary interest owner, Mr.  
7 Examiner, but there are other interest owners that are asso-  
8 ciated HEYCO companies.

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

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

13 A Yes, they do. Yes, they were.

14 MR. STRAND: I have no further questions.

15 of this witness.

16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q In other words, Mr. Yates, all of the  
19 working interest is committed to the unit. All of the royalty  
20 interest is committed to the unit, with the exception of the  
21 State royalty interest. That has been tentatively committed.

22 The remainder of the fee royalty owners  
23 are committed by virtue of the unitization clause in the  
24  
25

1 leases, and the overriding royalties have committed?

2 A. That's correct.

3 Q. Okay.

4 MR. NUTTER: Are there any further ques-  
5 tions of the witness? He may be excused.

6  
7 RANDOLPH C. SMITH

8 being called as a witness and having been previously sworn  
9 upon his oath, testified as follows, to-wit:

10  
11 DIRECT EXAMINATION

12 BY MR. STRAND:

13 Q. State your name for the record.

14 A. 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 in Midland, Texas.

19 MR. STRAND: Mr. Examiner, is Mr. Smith  
20 still considered qualified?

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 Mexico 87501  
Phone (505) 455-7409



SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 relating to this application?

2 A Yes, sir, I have.

3 Q I refer you to Exhibit Number Three. Will  
4 you please describe that exhibit?

5 A Yes. Exhibit Number Three is an inte-  
6 grated seismic subsurface control structure map on top of the  
7 Wolfcamp, contour interval at 100 feet.

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

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

15 The unit that we are proposing, Section  
16 36 of 11, 37, and Section 1 of 12, 37, encompasses what we  
17 believe to be the whole structural feature as shown in the  
18 closure on this map.

19 Q You referred to Exhibit Number Four, Mr.  
20 Smith. Will you explain that in more detail?

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

23 MR. NUTTER: That's all right.

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

1 posed unit, showing the primary objective as the Wolfcamp  
 2 Bank, which is colored in blue. The proposed depth of the  
 3 well is estimated as the total depth of 12,000 feet; as Mr.  
 4 Yates also suggested, another primary objective is Austin-  
 5 Mississippian and the Middle and Upper Pennsylvanian carbon-  
 6 ates.

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  
 10 Well in Section 36, 11, 37.

11 Q Mr. Smith, in the event of discovering  
 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 A Yes, it will.

17 Q Were Exhibits Three and Four prepared by  
 18 you?

19 A Yes, they were.

20 MR. STRAND: I have no further questions,

21 Mr. Examiner.

22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Smith, why isn't the Devonian consi-  
 25

SALLY W. BOYD, C.S.R.

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

SALLY W. BOYD, C.S.R.

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

1 dered to be a possibility here?

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

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

7 A That is correct, sir.

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

10 A It is possible, yes.

11 Q There is Devonian production in the neigh-  
12 borhood, is there not?

13 A That is correct.

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

16 A That is also correct.

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

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

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

25 A No, sir, it is not.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Q I see.

MR. NUTTER: Are there any further questions of Mr. Smith? He may be excused.

Do you have anything further, Mr. Strand?

MR. STRAND: Mr. Examiner, I move the 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 Mexico 87501

Phone (505) 455-7409

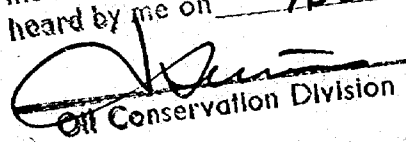
C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7006  
heard by me on 7006 1980.

 Examiner  
Oil Conservation Division



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

September 12, 1980

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Re: CASE NO. 7886  
ORDER NO. R-6471  
Mr. Robert H. Strand, Attorney  
Harvey F. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88201

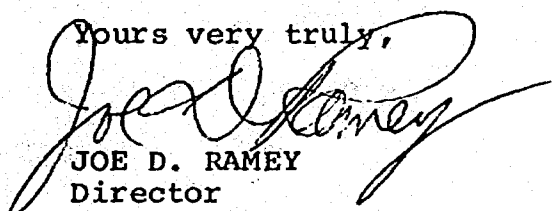
Applicant:

Harvey F. Yates Company

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD       

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:

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

NOW, on this 11th 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 operations, 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.

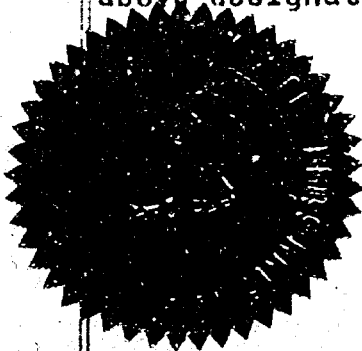
(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso 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.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
20 August 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-  
pany for a unit agreement, Lea  
County, New Mexico.

CASE  
7006

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 393-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

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 applicant this case will be continued to the September 3rd Examiner Hearing.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

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

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7006,  
heard by me on 8-30 1980.  
Richard L. Lamb Examiner  
Oil Conservation Division



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
20 August 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-  
pany for a unit agreement, Lea  
County, New Mexico.

CASE  
7006

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

SALLY W. BOYD, C.S.R.

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

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 applicant this case will be continued to the September 3rd Examiner Hearing.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

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 Pennsylvanian 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.

**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.M. - 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.

BEFORE EXAMINER  
OIL CONSERVATION DIVISION

CASE NO. 7006  
SUBMITTED BY HEYCO  
HEARING DATE 9-3-80

1137

HARVEY E. YATES CO.  
Roswell, New Mexico.

LAND PLAT W/UNIT OUTLINE  
N.W. GLADIOLA PROSPECT  
LEA COUNTY, N.M.

R. C. Smith July, '80

GLADIOLA

GLADIOLA

GLADIOLA

WOLAND @ MAP

Dickinson Cattle Co. (S)

Dickinson Cattle Co. (S)

Dickinson Cattle Co. (S)

ARCA, M.I.  
C.O. Houston

ARCA, M.I.  
C.O. Houston

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris

Prentice H. Harris



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

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	WORK
<b><u>PATENTED (FEE) LANDS:</u></b>							
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 Company Spiral, Fred G.  Explor leum Co
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% A. C. Lattu .75% R. C. Smith .25%	Harvey Company Spiral, Fred G.  Explored leum Co
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 Company Spiral, Fred G.  Explored leum Co
<b>PATENTED (FEE) LANDS; 639.93 Acres (49.998% of Unit)</b>							

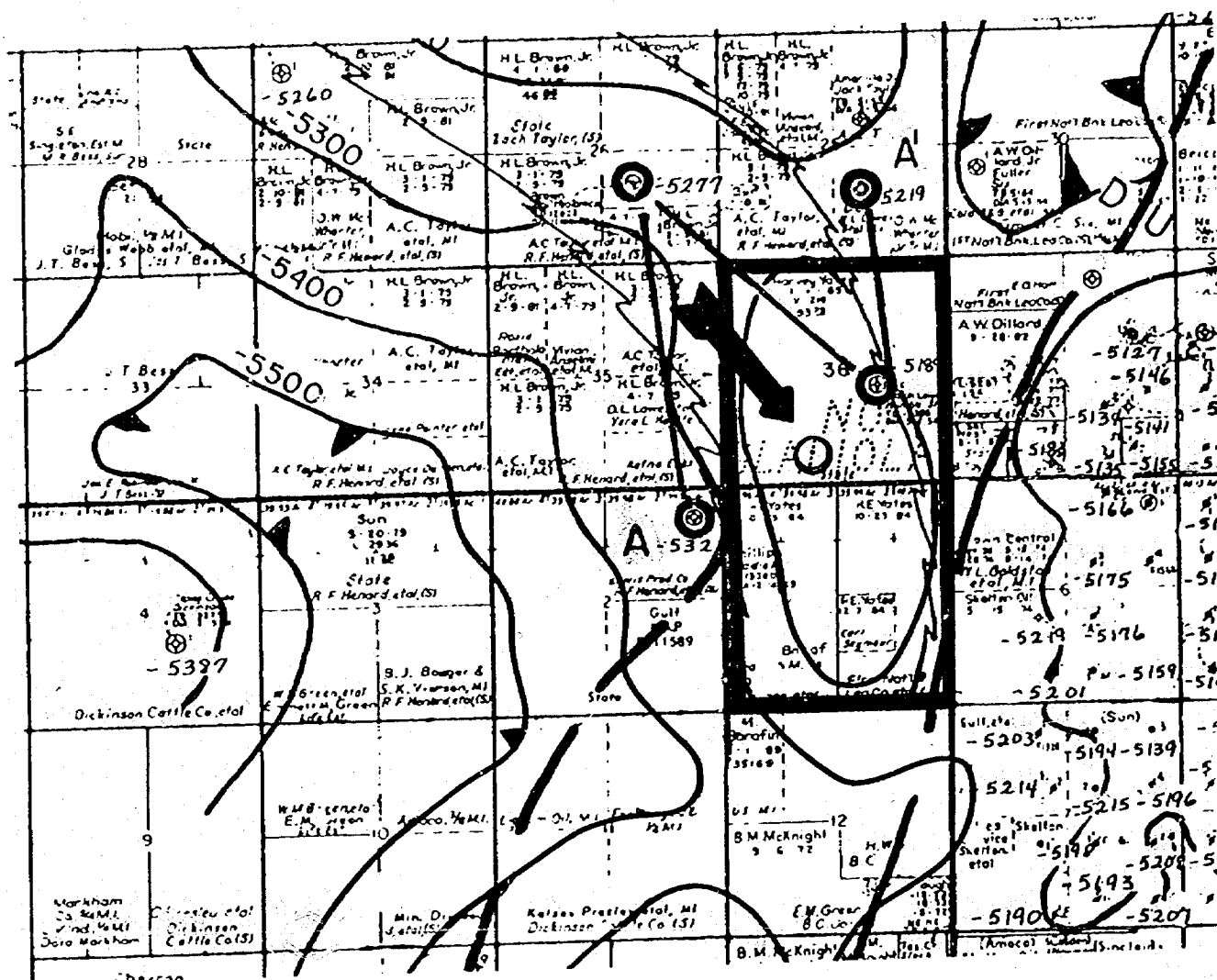
## EXHIBIT "B"

## 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
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 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 Clarence Wallace 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%
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 E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

Acres (49.998% of Unit)



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

HARVEY E. YATES CO.  
 Roswell, New Mexico

N.W. GLADIOLA PROSPECT

LEA COUNTY, N.M.

Wc Ø Trend; + Faults

Contoured on: T/Wolfcamp

Contour Interval: 100'

Map Scale: 1" = 4000'

R.C. Smith July '80

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA COUNTY, NEW MEXICO

No. \_\_\_\_\_

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

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended  
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes  
1978 Annot.), to consent to and approve the development 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 Depart-  
ment 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 Northwest  
Gladiola Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

BEFORE EXAMINER _____
OIL CONSERVATION DIVISION _____
EXHIBIT NO. <u>2</u>
CASE NO. <u>2006</u>
SUBMITTED BY <u>Applicant</u>
HEARING DATE <u>9/3/80</u>

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.

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

Section 1: All

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

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

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the 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



1 is owned by one party to this agreement, a concurring vote of sufficient additional 1  
2 parties, so as to constitute in the aggregate not less than seventy-five percent 2  
3 (75%) of the total working interests, shall be required to select a new operator. 3  
4 Such selection shall not become effective until (a) a unit operator so selected 4  
5 shall accept in writing the duties and responsibilities of unit operator, and (b) 5  
6 the selection shall have been approved by the Commissioner. If no successor unit 6  
7 operator is selected and qualified as herein provided, the Commissioner at his 7  
8 election, with notice to the Division, may declare this unit agreement terminated. 8  
9  
10  
11  
12  
13  
14  
15

16 6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first in- 16  
17 stance all costs and expenses incurred in conducting unit operations hereunder, 17  
18 and such costs and expenses and the working interest benefits accruing hereunder 18  
19 shall be apportioned among the owners of the unitized working interests in accor- 19  
20 dance with an operating agreement entered into by and between the unit operator 20  
21 and the owners of such interests, whether one or more, separately or collectively. 21  
22 Any agreement or agreements entered into between the working interest owners and 22  
23 the unit operator as provided in this section, whether one or more, are herein 23  
24 referred to as the "Operating Agreement". No such agreement shall be deemed either 24  
25 to modify any of the terms and conditions of this unit agreement or to relieve the 25  
26 unit operator of any right or obligation established under this unit agreement and 26  
27 in case of any inconsistencies or conflict this unit agreement and the operating 27  
28 agreement, this unit agreement shall prevail. 28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42

43 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifi- 43  
44 cally provided herein, the exclusive right, privilege and duty of exercising any and 44  
45 all rights of the parties hereto which are necessary or convenient for prospecting 45  
46 for, producing, storing, allocating and distributing the unitized substances are 46  
47 hereby delegated to and shall be exercised by the unit operator as herein provided. 47  
48 Acceptable evidence of title to said rights shall be deposited with said unit 48  
49 operator and, together with this agreement, shall constitute and define the rights, 49  
50 privileges and obligations of the unit operator. Nothing herein, however, shall be 50  
51 construed to transfer title to any land or to any lease or operating agreement, it 51  
52 being understood that under this agreement the unit operator, in its capacity as 52  
53 unit operator, shall exercise the rights of possession and use vested in the parties 53  
54 hereto only for the purposes herein specified. 54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

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 suffi-  
cient 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 quan-  
tities is completed to the satisfaction of the Commissioner or until it is reasonably  
proven to the satisfaction of the unit operator that the unitized land is incapable  
of producing unitized substances in paying quantities in the formation drilled  
hereunder.

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

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

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

1 month period thereafter, file a report with the Commissioner and Division of the  
2 status of the development of the unit area and the development contemplated for  
3 the following twelve month period, such plan of contemplated development to be  
4 approved by the Division.  
5  
6

7 It is understood that one of the main considerations for the approval of  
8 this agreement by the Commissioner of Public Lands is to secure the orderly develop-  
9 ment of the unitized lands in accordance with good conservation practices so as to  
10 obtain the greatest ultimate recovery of unitized substances.  
11  
12

13 After discovery of unitized substances in paying quantities, unit operator  
14 shall proceed with diligence to reasonably develop the unitized area as a reasonably  
15 prudent operator would develop such area under the same or similar circumstances.  
16  
17

18 If the unit operator should fail to comply with the above covenant for rea-  
19 sonable development this agreement may be terminated by the Commissioner as to all  
20 lands of the State of New Mexico embracing undeveloped regular well spacing or pro-  
21 ration units, but in such event, the basis of participation by the working interest  
22 owners shall remain the same as if this agreement had not been terminated as to  
23 such lands; provided, however, the Commissioner shall give notice to the unit oper-  
24 ator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N. M.  
25 Statutes 1978 Annotated), of intention to cancel on account of any alleged breach  
26 of said covenant for reasonable development and any decision entered thereunder  
27 shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes  
28 1978 Annotated) and, provided further, in any event the unit operator shall be  
29 given a reasonable opportunity after a final determination within which to remedy  
30 any default, failing in which this agreement shall be terminated as to all lands  
31 of the State of New Mexico embracing undeveloped regular well spacing or proration  
32 units.  
33  
34

35 10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of  
36 producing unitized substances in paying quantities, the owners of working interests  
37 shall participate in the production therefrom and in all other producing wells  
38 which may be drilled pursuant hereto in the proportions that their respective lease-  
39 hold interests covered hereby on an acreage basis bears to the total number of acres  
40 committed to this unit agreement, and such unitized substances shall be deemed to  
41 have been produced from the respective leasehold interests participating therein.  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 For the purpose of determining any benefits accruing under this agreement and the 1  
2 distribution of the royalties payable to the State of New Mexico and other lessors, 2  
3 each separate lease shall have allocated to it such percentage of said production 3  
4 as the number of acres in each lease respectively committed to this agreement bears 4  
5 to the total number of acres committed hereto. 5  
6  
7  
8  
9

10 Notwithstanding any provisions contained herein to the contrary, each working 10  
11 interest owner shall have the right to take such owner's proportionate share of the 11  
12 unitized substances in kind or to personally sell or dispose of the same, and 12  
13 nothing herein contained shall be construed as giving or granting to the unit operator 13  
14 the right to sell or otherwise dispose of the proportionate share of any working 14  
15 interest owner without specific authorization from time to time so to do. 15  
16  
17  
18  
19  
20  
21

22 11. ALLOCATION OF PRODUCTION: All unitized substances produced from each 22  
23 tract in the unitized area established under this agreement, except any part thereof 23  
24 used for production or development purposes hereunder, or unavoidably lost, shall be 24  
25 deemed to be produced equally on an acreage basis from the several tracts of the 25  
26 unitized land, and for the purpose of determining any benefits that accrue on an 26  
27 acreage basis, each such tract shall have allocated to it such percentage of said 27  
28 production as its area bears to the entire unitized area. It is hereby agreed that 28  
29 production of unitized substances from the unitized area shall be allocated as pro- 29  
30 vided herein, regardless of whether any wells are drilled on any particular tracts 30  
31 of said unitized area. 31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42

43 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 44  
45 with the terms of their leases. 45  
46  
47  
48

49 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 50  
51 substances allocated to the respective leases committed hereto; provided, however, 51  
52 the State shall be entitled to take in kind its share of the unitized substances 52  
53 allocated to the respective leases, and in such case the unit operator shall make 53  
54 deliveries of such royalty oil in accordance with the terms of the respective leases. 54  
55  
56  
57  
58  
59  
60

61 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 62  
63 the terms of their leases and all royalties due under the terms of any such leases 63  
64  
65  
66

1 shall be paid on the basis of all unitized substances allocated to the respective 1  
2 leases committed hereto. 2  
3

1 If the unit operator introduces gas obtained from sources other than the 4  
5 unitized substances into any producing formation for the purpose of repressuring, 5  
6 stimulating or increasing the ultimate recovery of unitized substances therefrom, a 6  
7 like amount of gas, if available, with due allowance for loss or depletion from any 7  
8 cause may be withdrawn from the formation into which the gas was introduced royalty 8  
9 free as to dry gas but not as to the products extracted therefrom; provided, that 9  
10 such withdrawal shall be at such time as may be provided in a plan of operation con- 10  
11 sented to by the Commissioner and approved by the Division as conforming to good 11  
12 petroleum engineering practices; and provided further, that such right of withdrawal 12  
13 shall terminate on the termination of this unit agreement. 13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

1 If any lease committed hereto is burdened with an overriding royalty, pay- 24  
2 ment out of production or other charge in addition to the usual royalty, the owner 25  
3 of each such lease shall bear and assume the same out of the unitized substances 26  
4 allocated to the lands embraced in each such lease as provided herein. 27  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

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

1 The terms, conditions and provisions of all leases, subleases, operating 36  
2 agreements and other contracts relating to the exploration, drilling development 37  
3 or operation for oil or gas of the lands committed to this agreement, shall as of 38  
4 the effective date hereof, be and the same are hereby expressly modified and amended 39  
5 insofar as they apply to lands within the unitized area to the extent necessary to 40  
6 make the same conform to the provisions hereof and so that the respective terms of 41  
7 said leases and agreements will be extended insofar as necessary to coincide with 42  
8 the term of this agreement and the approval of this agreement by the Commissioner 43  
9 and the respective lessors and lessees shall be effective to conform the provisions 44  
10 and extend the terms of each such lease as to lands within the unitized area to the 45  
11 provisions and terms of this agreement; but otherwise to remain in full force and 46  
12 effect. Each lease committed to this agreement, insofar as it applies to lands with- 47  
13 in the unitized area, shall continue in force beyond the term provided therein as 48  
14 long as this agreement remains in effect, provided, drilling operations upon the 49  
15 initial test well provided for herein shall have been commenced or said well is in 50  
16 the process of being drilled by the unit operator prior to the expiration of the 51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66



1 shortest term lease committed to this agreement. Termination of this agreement 1  
2 shall not effect any lease which pursuant to the terms thereof or any applicable 2  
3 laws would continue in full force and effect thereafter. The commencement, com- 3  
4 pletion, continued operation or production on each of the leasehold interests com- 4  
5 mitted to this agreement and operations or production to this agreement shall be 5  
6 deemed to be operations upon and production from each leasehold interest committed 6  
7 hereto and there shall be no obligation on the part of the unit operator or any of 7  
8 the owners of the respective leasehold interests committed hereto to drill offsets 8  
9 to wells as between the leasehold interests committed to this agreement, except as 9  
10 provided in Section 9 hereof. 10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

1 Any lease embracing lands of the State of New Mexico having only a portion 21  
2 of its lands committed hereto shall be segregated as to the portion committed and 22  
3 as to the portion not committed and the terms of such leases shall apply separately 23  
4 as to such segregated portions commencing as of the effective date hereof. Notwith- 24  
5 standing any of the provisions of this agreement to the contrary, any lease embracing 25  
6 lands of the State of New Mexico having only a portion of its lands committed hereto 26  
7 shall continue in full force and effect beyond the term provided therein as to all 27  
8 lands embraced in such lease, if oil and gas, or either of them, are discovered 28  
9 and are being produced in paying quantities from some part of the lands embraced in 29  
10 such lease committed to this agreement at the expiration of the secondary term of 30  
11 such lease, or if, at the expiration of the secondary term, the lessee or the unit 31  
12 operator is then engaged in bona fide drilling or reworking operations on some part 32  
13 of the lands embraced therein shall remain in full force and effect so long as such 33  
14 operations are being diligently prosecuted, and they result in the production of 34  
15 oil or gas, said lease shall continue in full force and effect as to all of the lands 35  
16 embraced therein, so long thereafter as oil and gas, or either of them, are being 36  
17 produced in paying quantities from any portion of said lands. 37  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

14. CONSERVATION: Operations hereunder and production of unitized sub-  
stances 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 regu-  
lations.

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



1 substances from the lands embraced therein, unit operator shall drill such offset 1  
2 well or wells as a reasonably prudent operator would drill under the same or similar 2  
3 circumstances. 3  
4  
5

6  
7 16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to 7  
8 be covenants running with the land with respect to the interests of the parties 8  
9 hereto and their successors in interest until this agreement terminates, and any 9  
10 grant, transfer or conveyance of interest in land or leases subject hereto shall be 10  
11 and hereby is conditioned upon the assumption of all privileges and obligations 11  
12 hereunder to the grantee, transferee or other successor in interest. No assignment 12  
13 or transfer or any working, royalty, or other interest subject hereto shall be 13  
14 binding upon unit operator until the first day of the calendar month after the unit 14  
15 operator is furnished with the original, photostatic, or certified copy of the 15  
16 instrument of transfer. 16  
17  
18

19 17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon 19  
20 approval by the Commissioner and the Division and shall terminate in two years after 20  
21 such date unless (a) such date of expiration is extended by the Commissioner, or (b) 21  
22 a valuable discovery of unitized substances has been made on unitized land during 22  
23 said initial term or any extension thereof in which case this agreement shall remain 23  
24 in effect so long as unitized substances are being produced in paying quantities from 24  
25 the unitized land and, should production cease, so long thereafter as diligent oper- 25  
26 ations are in progress for the restoration of production or discovery of new pro- 26  
27 duction and so long thereafter as the unitized substances so discovered can be pro- 27  
28 duced as aforesaid. This agreement may be terminated at any time by not less than 28  
29 seventy-five percent (75%) on an acreage basis of the owners of the working interests 29  
30 signatory hereto, with the approval of the Commission and with notice to the Divi- 30  
31 sion. Likewise, the failure to comply with the drilling requirements of Section 8 31  
32 hereof, may subject this agreement to termination as provided in said section. 32  
33  
34

35 18. RATE OF PRODUCTION: All productions and the disposal thereof shall be 35  
36 in conformity with allocations, allotments, and quotas made or fixed by the Commis- 36  
37 sion, and in conformity with all applicable laws and lawful regulations. 37  
38  
39

40 19. APPEARANCES: Unit operator shall, after notice to other parties affec- 40  
41 ted have the right to appear for and on behalf of any and all interests affected 41  
42 hereby, before the Commissioner of Public Lands and the Division, and to appeal 42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 from orders issued under the regulations of the Commissioner or Division, or to 1  
2 apply for relief from any of said regulations or in any proceedings on its own 2  
3 behalf relative to operations pending before the Commissioner or Division; provided, 3  
4 however, that any other interest party shall also have the right at his own expense 4  
5 to appear and to participate in any such proceeding. 5  
6  
7  
8  
9  
10

11 20. NOTICES: All notices, demands, or statements required hereunder to be 11  
12 given or rendered to the parties hereto, shall be deemed fully given, if given in 12  
13 writing and sent postpaid registered mail, addressed to such party or parties at 13  
14 their respective addresses, set forth in connection with the signatures hereto or to 14  
15 the ratification or consent hereof, or to such other address as any such party may 15  
16 have furnished in writing to party sending the notice, demand, or statement. 16  
17  
18  
19  
20  
21  
22

23 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the 23  
24 unit operator to commence or continue drilling or to operate on or produce unitized 24  
25 substances from any of the lands covered by this agreement, shall be suspended while, 25  
26 but only so long as, the unit operator, despite the exercise of due care and dili- 26  
27 gence, is prevented from complying with such obligations, in whole or in part, by 27  
28 strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable 28  
29 accidents, uncontrollable delays in transportation, inability to obtain necessary 29  
30 materials in open market, or other matters beyond the reasonable control of the 30  
31 unit operator, whether similar to matters herein enumerated or not. 31  
32  
33  
34  
35  
36  
37  
38  
39  
40

41 22. LOSS OF TITLE: In the event title to any tract of unitized land or 41  
42 substantial interest therein shall fail, and the true owner cannot be induced to 42  
43 join the unit agreement so that such tract is not committed to this agreement, or 43  
44 the operation thereof hereunder becomes impracticable as a result thereof, such 44  
45 tract may be eliminated from the unitized area, and the interest of the parties re- 45  
46 adjusted as a result of such tract being eliminated from the unitized area. In the 46  
47 event of a dispute as to the title to any royalty, working, or other interest subject 47  
48 hereto, the unit operator may withhold payment or delivery of the allocated portion 48  
49 of the unitized substances involved, on account thereof, without liability for in- 49  
50 terest until the dispute is finally settled, provided that no payments of funds 50  
51 due the State of New Mexico shall be withheld. Unit operator, as such, is relieved 51  
52 from any responsibility for any defect or failure of any title hereunder. 52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64

65 23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit 65  
66 66

1 area not committed hereto, prior to the submission of the agreement for final 1  
2 approval by the Commissioner and the Division, may be committed hereto by the owner 2  
3 or owners of such rights, subscribing or consenting to this agreement, or executing 3  
4 a ratification thereof, and if such owner is also a working interest owner, by 4  
5 subscribing to the operating agreement providing for the allocation of costs of 5  
6 exploration, development and operation. A subsequent joinder shall be effective as 6  
7 of the first day of the month following the approval by the Commissioner and the 7  
8 filing with the Division of duly executed counterparts of the instrument or instru- 8  
9 ments committing the interest of such owner to this agreement, but such joining 9  
10 party or parties, before participating in any benefits hereunder, shall be required 10  
11 to assume and pay to unit operator, their proportionate share of the unit expenses 11  
12 incurred prior to such party's or parties' joinder in the unit agreement, and the 12  
13 unit operator shall make appropriate adjustments caused by such joinder, without 13  
14 any retroactive adjustment or revenue. 14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

24. COUNTERPARTS: This agreement may be executed in any number of counter-  
parts, 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 agree-  
ment to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

ATTEST:

HARVEY E. YATES COMPANY

\_\_\_\_\_  
Assistant Secretary

By: \_\_\_\_\_  
George M. Yates, Vice President

DATE: July 25, 1980

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) §§

The foregoing instrument was acknowledged before me this 25th day of  
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

\_\_\_\_\_  
Notary Public

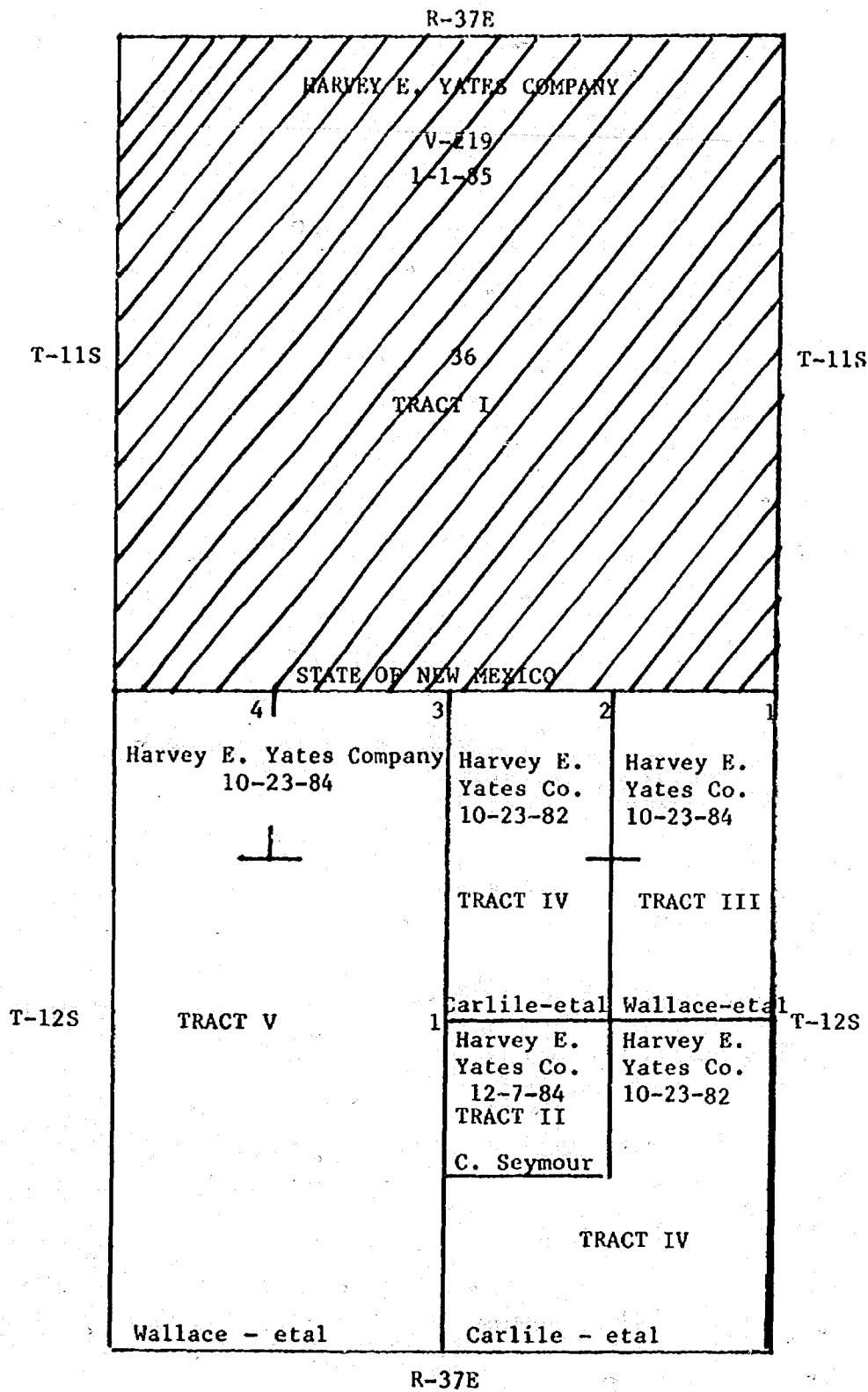
EXHIBIT "A"

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 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 ROYALTY AND PERCENTAGE	WORKING PER
<u>TOWNSHIP 11 SOUTH, RANGE 37 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>							
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%	Harvey Company Spiral, Fred G.  Explore leum Co
STATE OF NEW MEXICO LANDS: 640.0 Acres (50.002% of Unit)							
<u>PATENTED (FEE) LANDS: - TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>							
2	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	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%	Harvey Company Spiral, Fred G.  Explore leum Co
3	Sec. 1: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.0	Fee 10-23-84	Herman H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%	Harvey Company Spiral, Fred G.  Explore leum Co

## EXHIBIT "B"

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

NORTHWEST GLADIOLA UNIT  
LEA COUNTY, NEW MEXICO

LAND	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
E 37 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS						
	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%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates Inc. 7.5% Explorers Petro- leum Corp. 7.5%
S: 640.0 Acres (50.002% of Unit)						
- TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.						
	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%	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 H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 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

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	WORKING
PATENTED (FEE) LANDS:							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred  Explo leum
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred  Explo leum
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred  Explo leum

## EXHIBIT "B"

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

NORTHWEST GLADIOLA UNIT  
LEA COUNTY, NEW MEXICO

LAND	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
W $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{4}$ SE $\frac{1}{4}$	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%
W $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{4}$ SE $\frac{1}{4}$	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%
W $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{4}$ SE $\frac{1}{4}$	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 INTERESTSNORTHWEST 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	WORKING
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Comp Spir Fred  Expl leum
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Comp Spir Fred  Expl leum
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Comp Spir Fred  Expl leum

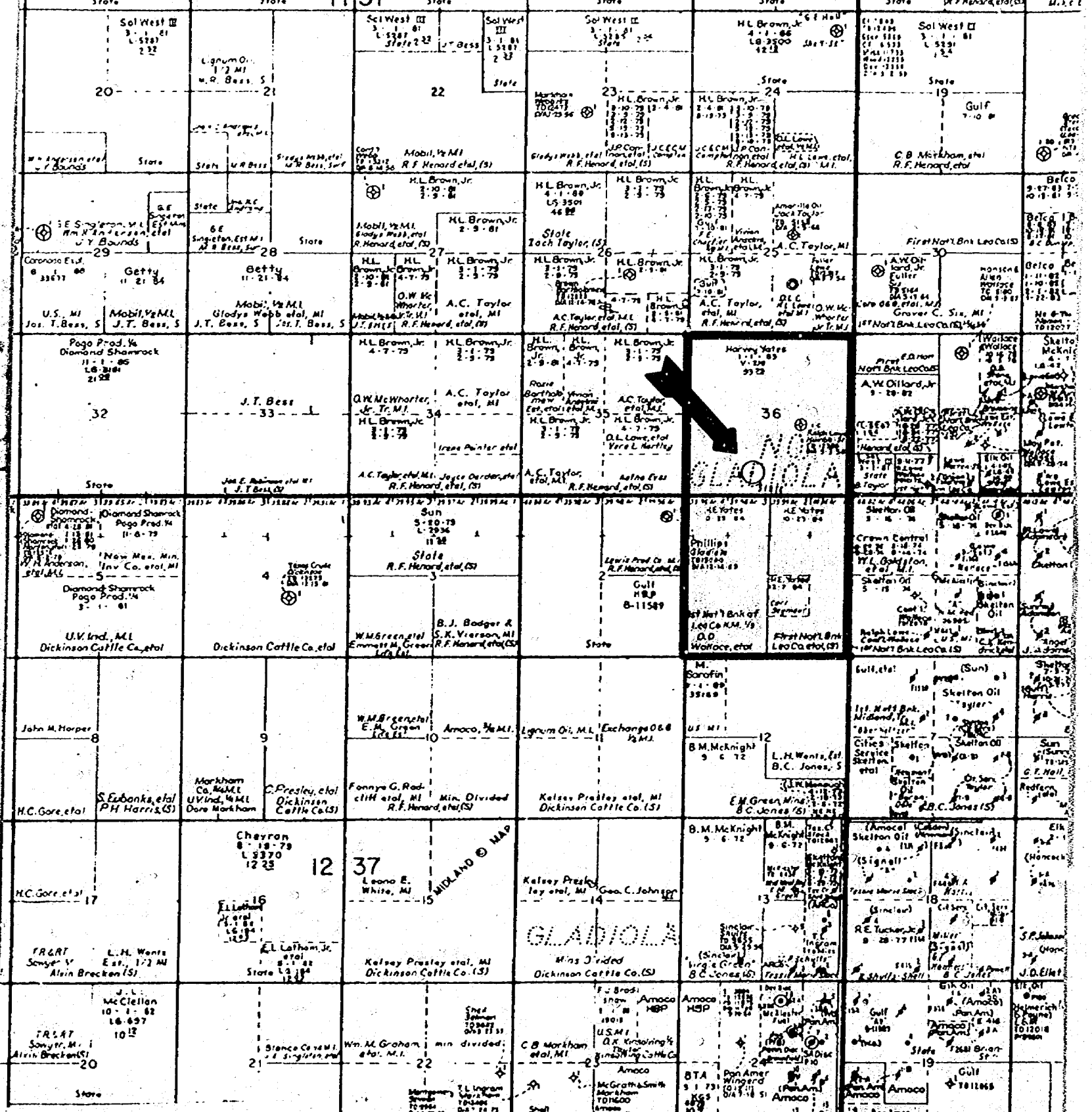
## EXHIBIT "B"

## 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
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 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	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%
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 E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

BEFORE EXAMINER 9-3-80  
OIL CONSERVATION DIVISION  
EXHIBIT NO. 1  
CASE NO. 7006  
SUBMITTED BY HEYCO  
HEARING DATE 9-3-80



HARVEY E. YATES CO.  
Roswell, New Mexico.

LAND PLAT w/UNIT OUTLINE  
N.W. GLADIOLA PROSPECT  
LEA COUNTY, N.M.

R. C. Smith July, '80

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA COUNTY, NEW MEXICO

No. \_\_\_\_\_

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

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended  
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes  
1978 Annot.), to consent to and approve the development 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 Depart-  
ment 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 Northwest  
Gladiola Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 7006

SUBMITTED BY Applicant

HEARING DATE 9/3/80



1 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 1  
2 sources, prevent waste and secure other benefits obtainable through development 2  
3 and operation of the area subject to this agreement under the terms, conditions 3  
4 and limitations herein set forth; 4  
5  
6  
7

8  
9 NOW THEREFORE, in consideration of the premises and promises herein con- 9  
10 tained, the parties hereto commit to this agreement their respective interests in 10  
11 the below defined unit area, and agree severally among themselves as follows: 11  
12  
13

14 1. UNIT AREA: The following described land is hereby designated and 14  
15 recognized as constituting the unit area: 15  
16  
17

18  
19 Township 11 South, Range 37 East, N.M.P.M. 19  
20

Township 12 South, Range 37E, N.M.P.M. 20  
21

22 Section 1: All 22  
23

Section 36: All 23  
24

25 Containing 1279.93 acres, more or less, 25  
26

27 LEA County, New Mexico 27  
28

29 Exhibit "A" attached hereto is a map showing the unit area and the bound- 29  
30 aries and identity of tracts and leases in said area to the extent known to the 30  
31 unit operator. Exhibit "B" attached hereto is a schedule showing to the extent 31  
32 known to the unit operator the acreage, percentage and kind of ownership of oil 32  
33 and gas interests in all lands in the unit area. However, nothing herein or in 33  
34 said schedule or map shall be construed as a representation by any party hereto as 34  
35 to the ownership of any interest other than such interest or interests as are shown 35  
36 on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised 36  
37 by the unit operator whenever changes in ownership in the unit area render such 37  
38 revisions necessary or when requested by the Commissioner of Public Lands, herein- 38  
39 after referred to as "Commissioner" or the Oil Conservation Division, hereinafter 39  
40 referred to as the "Division". 40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51

52 All land committed to this agreement shall constitute land referred to herein 52  
53 as "unitized land" or "land subject to this agreement". 53  
54  
55

56 2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated 56  
57 fluid hydrocarbons in any and all formations of the unitized land are unitized under 57  
58 the terms of this agreement and herein are called "unitized substances". 58  
59  
60  
61

62 3. UNIT OPERATOR: Harvey E. Yates Company, whose address is 62  
63 Suite 300, Security National Bank Building 63  
64 P. O. Box 1933, Roswell, New Mexico 88201 is hereby designated as unit operator 64  
65 and by signature hereto commits to this agreement all interest in unitized substances 65  
66

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 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. 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

1 is owned by one party to this agreement, a concurring vote of sufficient additional 1  
2 parties, so as to constitute in the aggregate not less than seventy-five percent 2  
3 (75%) of the total working interests, shall be required to select a new operator. 3  
4 Such selection shall not become effective until (a) a unit operator so selected 4  
5 shall accept in writing the duties and responsibilities of unit operator, and (b) 5  
6 the selection shall have been approved by the Commissioner. If no successor unit 6  
7 operator is selected and qualified as herein provided, the Commissioner at his 7  
8 election, with notice to the Division, may declare this unit agreement terminated. 8  
9  
10  
11  
12  
13  
14  
15

16 6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first in- 16  
17 stance all costs and expenses incurred in conducting unit operations hereunder, 17  
18 and such costs and expenses and the working interest benefits accruing hereunder 18  
19 shall be apportioned among the owners of the unitized working interests in accor- 19  
20 dance with an operating agreement entered into by and between the unit operator 20  
21 and the owners of such interests, whether one or more, separately or collectively. 21  
22 Any agreement or agreements entered into between the working interest owners and 22  
23 the unit operator as provided in this section, whether one or more, are herein 23  
24 referred to as the "Operating Agreement". No such agreement shall be deemed either 24  
25 to modify any of the terms and conditions of this unit agreement or to relieve the 25  
26 unit operator of any right or obligation established under this unit agreement and 26  
27 in case of any inconsistencies or conflict this unit agreement and the operating 27  
28 agreement, this unit agreement shall prevail. 28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42

43 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifi- 43  
44 cally provided herein, the exclusive right, privilege and duty of exercising any and 44  
45 all rights of the parties hereto which are necessary or convenient for prospecting 45  
46 for, producing, storing, allocating and distributing the unitized substances are 46  
47 hereby delegated to and shall be exercised by the unit operator as herein provided. 47  
48 Acceptable evidence of title to said rights shall be deposited with said unit 48  
49 operator and, together with this agreement, shall constitute and define the rights, 49  
50 privileges and obligations of the unit operator. Nothing herein, however, shall be 50  
51 construed to transfer title to any land or to any lease or operating agreement, it 51  
52 being understood that under this agreement the unit operator, in its capacity as 52  
53 unit operator, shall exercise the rights of possession and use vested in the parties 53  
54 hereto only for the purposes herein specified. 54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

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 suffi-  
cient 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 quan-  
tities is completed to the satisfaction of the Commissioner or until it is reasonably  
proven to the satisfaction of the unit operator that the unitized land is incapable  
of producing unitized substances in paying quantities in the formation drilled  
hereunder.

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

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

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

1 month period thereafter, file a report with the Commissioner and Division of the  
2 status of the development of the unit area and the development contemplated for  
3 the following twelve month period, such plan of contemplated development to be  
4 approved by the Division.  
5  
6

7 It is understood that one of the main considerations for the approval of  
8 this agreement by the Commissioner of Public Lands is to secure the orderly develop-  
9 ment of the unitized lands in accordance with good conservation practices so as to  
10 obtain the greatest ultimate recovery of unitized substances.  
11  
12

13 After discovery of unitized substances in paying quantities, unit operator  
14 shall proceed with diligence to reasonably develop the unitized area as a reasonably  
15 prudent operator would develop such area under the same or similar circumstances.  
16  
17

18 If the unit operator should fail to comply with the above covenant for rea-  
19 sonable development this agreement may be terminated by the Commissioner as to all  
20 lands of the State of New Mexico embracing undeveloped regular well spacing or pro-  
21 ration units, but in such event, the basis of participation by the working interest  
22 owners shall remain the same as if this agreement had not been terminated as to  
23 such lands; provided, however, the Commissioner shall give notice to the unit oper-  
24 ator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N. M.  
25 Statutes 1978 Annotated), of intention to cancel on account of any alleged breach  
26 of said covenant for reasonable development and any decision entered thereunder  
27 shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes  
28 1978 Annotated) and, provided further, in any event the unit operator shall be  
29 given a reasonable opportunity after a final determination within which to remedy  
30 any default, failing in which this agreement shall be terminated as to all lands  
31 of the State of New Mexico embracing undeveloped regular well spacing or proration  
32 units.  
33  
34

35 10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of  
36 producing unitized substances in paying quantities, the owners of working interests  
37 shall participate in the production therefrom and in all other producing wells  
38 which may be drilled pursuant hereto in the proportions that their respective lease-  
39 hold interests covered hereby on an acreage basis bears to the total number of acres  
40 committed to this unit agreement, and such unitized substances shall be deemed to  
41 have been produced from the respective leasehold interests participating therein.  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 For the purpose of determining any benefits accruing under this agreement and the 1  
2 distribution of the royalties payable to the State of New Mexico and other lessors, 2  
3 each separate lease shall have allocated to it such percentage of said production 4  
5 as the number of acres in each lease respectively committed to this agreement bears 6  
7 to the total number of acres committed hereto. 8  
9

10 Notwithstanding any provisions contained herein to the contrary, each working 11  
12 interest owner shall have the right to take such owner's proportionate share of the 13  
14 unitized substances in kind or to personally sell or dispose of the same, and 15  
16 nothing herein contained shall be construed as giving or granting to the unit operator 17  
18 the right to sell or otherwise dispose of the proportionate share of any working 19  
20 interest owner without specific authorization from time to time so to do. 21

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  
26 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  
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 35  
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

42 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

48 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  
56 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

60 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  
66



1 shall be paid on the basis of all unitized substances allocated to the respective 1  
2 leases committed hereto. 2  
3

4 If the unit operator introduces gas obtained from sources other than the 4  
5 unitized substances into any producing formation for the purpose of repressuring, 5  
6 stimulating or increasing the ultimate recovery of unitized substances therefrom, a 6  
7 like amount of gas, if available, with due allowance for loss or depletion from any 7  
8 cause may be withdrawn from the formation into which the gas was introduced royalty 8  
9 free as to dry gas but not as to the products extracted therefrom; provided, that 9  
10 such withdrawal shall be at such time as may be provided in a plan of operation con- 10  
11 sented to by the Commissioner and approved by the Division as conforming to good 11  
12 petroleum engineering practices; and provided further, that such right of withdrawal 12  
13 shall terminate on the termination of this unit agreement. 13  
14

15 If any lease committed hereto is burdened with an overriding royalty, pay- 15  
16 ment out of production or other charge in addition to the usual royalty, the owner 16  
17 of each such lease shall bear and assume the same out of the unitized substances 17  
18 allocated to the lands embraced in each such lease as provided herein. 18  
19

20 13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY 20  
21 TO LANDS WITHIN THE UNITIZED AREA: 21  
22

23 The terms, conditions and provisions of all leases, subleases, operating 23  
24 agreements and other contracts relating to the exploration, drilling development 24  
25 or operation for oil or gas of the lands committed to this agreement, shall as of 25  
26 the effective date hereof, be and the same are hereby expressly modified and amended 26  
27 insofar as they apply to lands within the unitized area to the extent necessary to 27  
28 make the same conform to the provisions hereof and so that the respective terms of 28  
29 said leases and agreements will be extended insofar as necessary to coincide with 29  
30 the term of this agreement and the approval of this agreement by the Commissioner 30  
31 and the respective lessors and lessees shall be effective to conform the provisions 31  
32 and extend the terms of each such lease as to lands within the unitized area to the 32  
33 provisions and terms of this agreement; but otherwise to remain in full force and 33  
34 effect. Each lease committed to this agreement, insofar as it applies to lands with- 34  
35 in the unitized area, shall continue in force beyond the term provided therein as 35  
36 long as this agreement remains in effect, provided, drilling operations upon the 36  
37 initial test well provided for herein shall have been commenced or said well is in 37  
38 the process of being drilled by the unit operator prior to the expiration of the 38  
39

1 shortest term lease committed to this agreement. Termination of this agreement 1  
2 shall not effect any lease which pursuant to the terms thereof or any applicable 2  
3 laws would continue in full force and effect thereafter. The commencement, com- 3  
4 pletion, continued operation or production on each of the leasehold interests com- 4  
5 mitted to this agreement and operations or production to this agreement shall be 5  
6 deemed to be operations upon and production from each leasehold interest committed 6  
7 hereto and there shall be no obligation on the part of the unit operator or any of 7  
8 the owners of the respective leasehold interests committed hereto to drill offsets 8  
9 to wells as between the leasehold interests committed to this agreement, except as 9  
10 provided in Section 9 hereof. 10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

1 Any lease embracing lands of the State of New Mexico having only a portion 21  
2 of its lands committed hereto shall be segregated as to the portion committed and 22  
3 as to the portion not committed and the terms of such leases shall apply separately 23  
4 as to such segregated portions commencing as of the effective date hereof. Notwith- 24  
5 standing any of the provisions of this agreement to the contrary, any lease embracing 25  
6 lands of the State of New Mexico having only a portion of its lands committed hereto 26  
7 shall continue in full force and effect beyond the term provided therein as to all 27  
8 lands embraced in such lease, if oil and gas, or either of them, are discovered 28  
9 and are being produced in paying quantities from some part of the lands embraced in 29  
10 such lease committed to this agreement at the expiration of the secondary term of 30  
11 such lease, or if, at the expiration of the secondary term, the lessee or the unit 31  
12 operator is then engaged in bona fide drilling or reworking operations on some part 32  
13 of the lands embraced therein shall remain in full force and effect so long as such 33  
14 operations are being diligently prosecuted, and they result in the production of 34  
15 oil or gas, said lease shall continue in full force and effect as to all of the lands 35  
16 embraced therein, so long thereafter as oil and gas, or either of them, are being 36  
17 produced in paying quantities from any portion of said lands. 37  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

14. CONSERVATION: Operations hereunder and production of unitized sub-  
stances 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 regu-  
lations.

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

1 substances from the lands embraced therein, unit operator shall drill such offset 1  
2 well or wells as a reasonably prudent operator would drill under the same or similar 2  
3 circumstances. 3  
4  
5

6  
7 16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to 7  
8 be covenants running with the land with respect to the interests of the parties 8  
9 hereto and their successors in interest until this agreement terminates, and any 9  
0 grant, transfer or conveyance of interest in land or leases subject hereto shall be 10  
1 and hereby is conditioned upon the assumption of all privileges and obligations 11  
2 hereunder to the grantee, transferee or other successor in interest. No assignment 12  
3 or transfer or any working, royalty, or other interest subject hereto shall be 13  
4 binding upon unit operator until the first day of the calendar month after the unit 14  
5 operator is furnished with the original, photostatic, or certified copy of the 15  
6 instrument of transfer. 16  
7  
8

9 17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon 17  
0 approval by the Commissioner and the Division and shall terminate in two years after 18  
1 such date unless (a) such date of expiration is extended by the Commissioner, or (b) 19  
2 a valuable discovery of unitized substances has been made on unitized land during 20  
3 said initial term or any extension thereof in which case this agreement shall remain 21  
4 in effect so long as unitized substances are being produced in paying quantities from 22  
5 the unitized land and, should production cease, so long thereafter as diligent oper- 23  
6 ations are in progress for the restoration of production or discovery of new pro- 24  
7 duction and so long thereafter as the unitized substances so discovered can be pro- 25  
8 duced as aforesaid. This agreement may be terminated at any time by not less than 26  
9 seventy-five percent (75%) on an acreage basis of the owners of the working interests 27  
0 signatory hereto, with the approval of the Commission and with notice to the Divi- 28  
1 sion. Likewise, the failure to comply with the drilling requirements of Section 8 29  
2 hereof, may subject this agreement to termination as provided in said section. 30  
3  
4

5 18. RATE OF PRODUCTION: All productions and the disposal thereof shall be 31  
6 in conformity with allocations, allotments, and quotas made or fixed by the Commis- 32  
7 sion, and in conformity with all applicable laws and lawful regulations. 33  
8  
9

0 19. APPEARANCES: Unit operator shall, after notice to other parties affec- 34  
1 ted have the right to appear for and on behalf of any and all interests affected 35  
2 hereby, before the Commissioner of Public Lands and the Division, and to appeal 36  
3  
4  
5  
6

1 from orders issued under the regulations of the Commissioner or Division, or to 1  
2 apply for relief from any of said regulations or in any proceedings on its own 2  
3 behalf relative to operations pending before the Commissioner or Division; provided, 3  
4 however, that any other interest party shall also have the right at his own expense 4  
5 to appear and to participate in any such proceeding. 5  
6  
7  
8  
9

10  
11 20. NOTICES: All notices, demands, or statements required hereunder to be 11  
12 given or rendered to the parties hereto, shall be deemed fully given, if given in 12  
13 writing and sent postpaid registered mail, addressed to such party or parties at 13  
14 their respective addresses, set forth in connection with the signatures hereto or to 14  
15 the ratification or consent hereof, or to such other address as any such party may 15  
16 have furnished in writing to party sending the notice, demand, or statement. 16  
17  
18  
19  
20  
21  
22

23 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the 23  
24 unit operator to commence or continue drilling or to operate on or produce unitized 24  
25 substances from any of the lands covered by this agreement, shall be suspended while, 25  
26 but only so long as, the unit operator, despite the exercise of due care and dili- 26  
27 gence, is prevented from complying with such obligations, in whole or in part, by 27  
28 strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable 28  
29 accidents, uncontrollable delays in transportation, inability to obtain necessary 29  
30 materials in open market, or other matters beyond the reasonable control of the 30  
31 unit operator, whether similar to matters herein enumerated or not. 31  
32  
33  
34  
35  
36  
37  
38  
39  
40

41 22. LOSS OF TITLE: In the event title to any tract of unitized land or 41  
42 substantial interest therein shall fail, and the true owner cannot be induced to 42  
43 join the unit agreement so that such tract is not committed to this agreement, or 43  
44 the operation thereof hereunder becomes impracticable as a result thereof, such 44  
45 tract may be eliminated from the unitized area, and the interest of the parties re- 45  
46 adjusted as a result of such tract being eliminated from the unitized area. In the 46  
47 event of a dispute as to the title to any royalty, working, or other interest subject 47  
48 hereto, the unit operator may withhold payment or delivery of the allocated portion 48  
49 of the unitized substances involved, on account thereof, without liability for in- 49  
50 terest until the dispute is finally settled, provided that no payments of funds 50  
51 due the State of New Mexico shall be withheld. Unit operator, as such, is relieved 51  
52 from any responsibility for any defect or failure of any title hereunder. 52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64

65 23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit 65  
66 66

1 area not committed hereto, prior to the submission of the agreement for final 1  
2 approval by the Commissioner and the Division, may be committed hereto by the owner 2  
3 or owners of such rights, subscribing or consenting to this agreement, or executing 3  
4 a ratification thereof, and if such owner is also a working interest owner, by 4  
5 subscribing to the operating agreement providing for the allocation of costs of 5  
6 exploration, development and operation. A subsequent joinder shall be effective as 6  
7 of the first day of the month following the approval by the Commissioner and the 7  
8 filing with the Division of duly executed counterparts of the instrument or instru- 8  
9 ments committing the interest of such owner to this agreement, but such joining 9  
10 party or parties, before participating in any benefits hereunder, shall be required 10  
11 to assume and pay to unit operator, their proportionate share of the unit expenses 11  
12 incurred prior to such party's or parties' joinder in the unit agreement, and the 12  
13 unit operator shall make appropriate adjustments caused by such joinder, without 13  
14 any retroactive adjustment or revenue. 14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

24. COUNTERPARTS: This agreement may be executed in any number of counter-  
parts, 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 agree-  
ment to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

ATTEST:

HARVEY E. YATES COMPANY

Assistant Secretary

By: \_\_\_\_\_  
George M. Yates, Vice President

DATE: July 25, 1980

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) §§

The foregoing instrument was acknowledged before me this 25th day of  
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

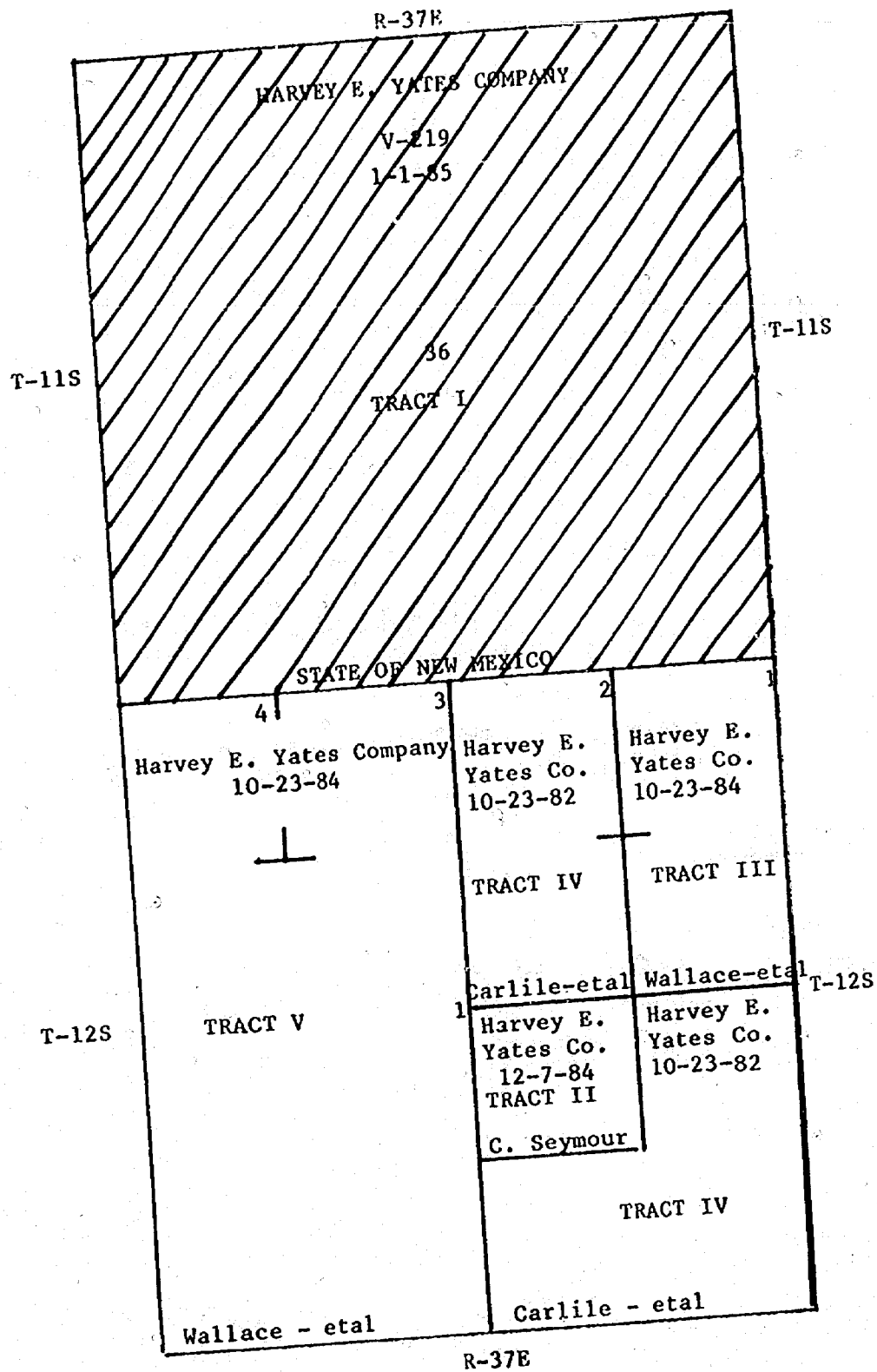
Notary Public

# 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 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 ROYALTY AND PERCENTAGE
<u>TOWNSHIP 11 SOUTH, RANGE 37 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>						
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%
STATE OF NEW MEXICO LANDS: 640.0 Acres (50.002% of Unit)						
<u>PATENTED (FEE) LANDS: - TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>						
2	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.0	Fee 12-7-84	Mettie L. Meadows Seymour All - 15.62%	Harvey E. Yates Company 100%	W. T. Wynn .50% A. C. Lattu .75% R. C. Smith .25%
3	Sec. 1: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.0	Fee 10-23-84	Herman H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 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

ID	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
<u>EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>						
	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%	Harvey E. Yates Company 77.5% Spiral, Inc 7.5% Fred G. Yates Inc. 7.5% Explorers Petro- leum Corp. 7.5%
640.0 Acres (50.002% of Unit)						
<u>TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>						
	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%	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 H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 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

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	WORKING
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred Explo leum
4.	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred Explo leum
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Compa Spira Fred Explo leum

## 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
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

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	WORKING INTEREST
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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 Company Spiral Fred G  Explor leum Co
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Company Spiral Fred G  Explor leum Co
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Company Spiral Fred G  Explor leum Co

## 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
NE $\frac{1}{4}$ , SE $\frac{1}{4}$ 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 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	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%
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 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 INTERESTSNORTHWEST 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	
<u>PATENTED (FEE) LANDS:</u>							
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 E. Yates Company 100%
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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%	First National Bank of Lea County, Trustee for Clarence Wallace All - 15.62%
5.	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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%	First National Bank of Lea County, Trustee for Donovan Wallace All - 15.62%

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

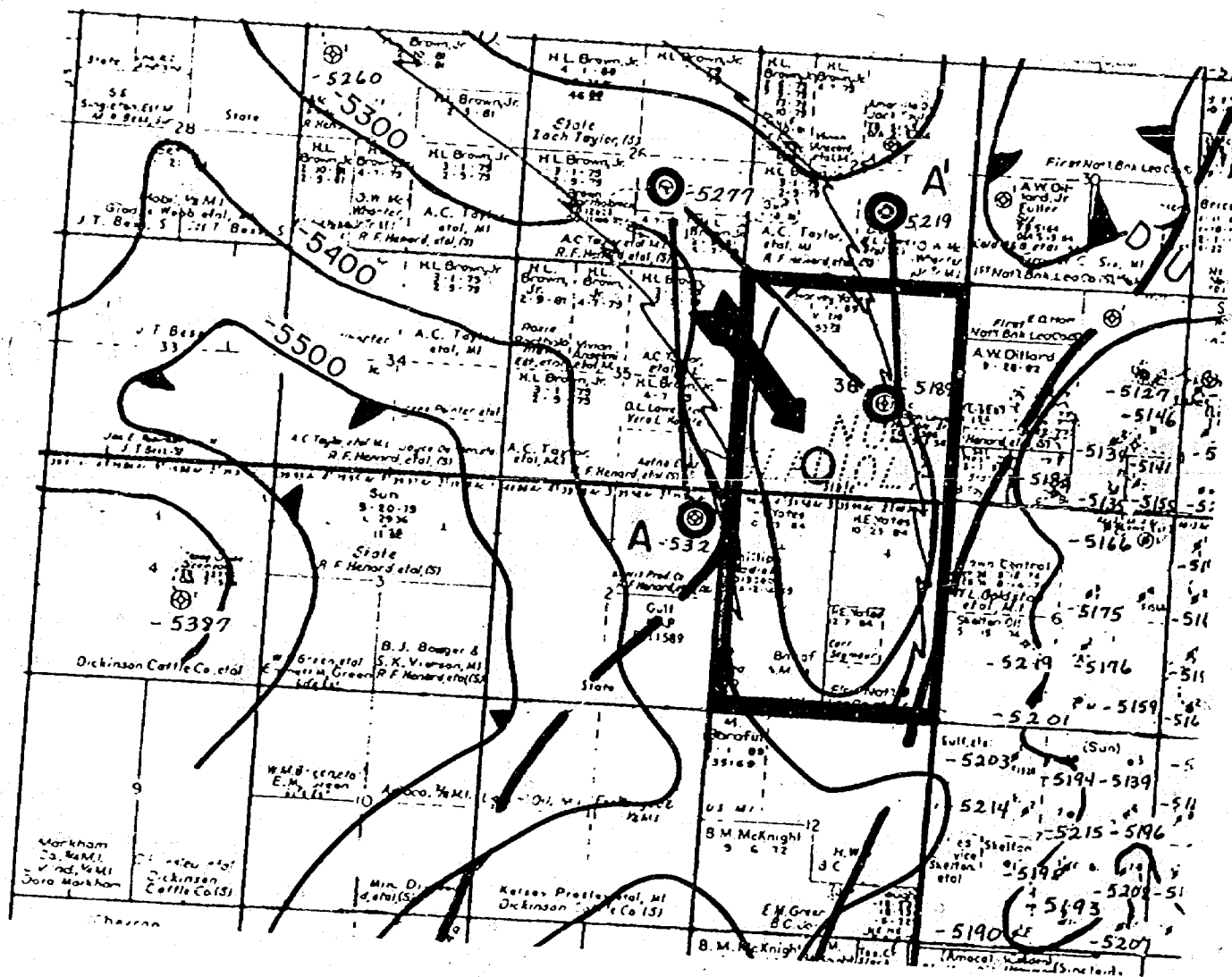
## EXHIBIT "B"

## 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
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 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 Clarence Wallace 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%
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 E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

.93 Acres (49.998% of Unit)



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

HARVEY E. YATES CO.  
 Roswell, New Mexico

N.W. GLADIOLA PROSPECT  
 LEA COUNTY, N.M.  
 Wc Ø Trend; + Faults

Contoured on: T/Wolfcamp  
 Contour Interval: 100'  
 Map Scale: 1" = 4000'  
 R.C. Smith, July '80

BEFORE EXAMINER 9-3-80

OIL CONSERVATION DIVISION

CASE NO. 7006

SUBMITTED BY

HEYCO

HEARING DATE

9-3-80

11 37

HARVEY E. YATES CO.

Roswell, New Mexico.

LAND PLAT W/UNIT OUTLINE

N.W. GLADIOLA PROSPECT

LEA COUNTY, N.M.

R. C. Smith

July, '80

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

NORTHWEST GLADIOLA UNIT AREA

LEA COUNTY, NEW MEXICO

No. \_\_\_\_\_

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

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended  
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes  
1978 Annot.), to consent to and approve the development 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 Depart-  
ment 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 Northwest  
Gladiola Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

BEFORE EXAMINER _____
OIL CONSERVATION DIVISION
_____ 2
CASE NO. <u>7006</u>
SUBMITTED BY <u>Applicant</u>
HEARD DATE <u>9/3/80</u>

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.

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

Section 1: All

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

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

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the 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

1 is owned by one party to this agreement, a concurring vote of sufficient additional  
2 parties, so as to constitute in the aggregate not less than seventy-five percent  
3 (75%) of the total working interests, shall be required to select a new operator.  
4  
5 Such selection shall not become effective until (a) a unit operator so selected  
6  
7 shall accept in writing the duties and responsibilities of unit operator, and (b)  
8  
9 the selection shall have been approved by the Commissioner. If no successor unit  
10  
11 operator is selected and qualified as herein provided, the Commissioner at his  
12  
13 election, with notice to the Division, may declare this unit agreement terminated.  
14  
15

16  
17 6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first in-  
18  
19 stance all costs and expenses incurred in conducting unit operations hereunder,  
20  
21 and such costs and expenses and the working interest benefits accruing hereunder  
22  
23 shall be apportioned among the owners of the unitized working interests in accor-  
24  
25 dance with an operating agreement entered into by and between the unit operator  
26  
27 and the owners of such interests, whether one or more, separately or collectively.  
28  
29 Any agreement or agreements entered into between the working interest owners and  
30  
31 the unit operator as provided in this section, whether one or more, are herein  
32  
33 referred to as the "Operating Agreement". No such agreement shall be deemed either  
34  
35 to modify any of the terms and conditions of this unit agreement or to relieve the  
36  
37 unit operator of any right or obligation established under this unit agreement and  
38  
39 in case of any inconsistencies or conflict this unit agreement and the operating  
40  
41 agreement, this unit agreement shall prevail.  
42

43 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifi-  
44  
45 cally provided herein, the exclusive right, privilege and duty of exercising any and  
46  
47 all rights of the parties hereto which are necessary or convenient for prospecting  
48  
49 for, producing, storing, allocating and distributing the unitized substances are  
50  
51 hereby delegated to and shall be exercised by the unit operator as herein provided.  
52  
53 Acceptable evidence of title to said rights shall be deposited with said unit  
54  
55 operator and, together with this agreement, shall constitute and define the rights,  
56  
57 privileges and obligations of the unit operator. Nothing herein, however, shall be  
58  
59 construed to transfer title to any land or to any lease or operating agreement, it  
60  
61 being understood that under this agreement the unit operator, in its capacity as  
62  
63 unit operator, shall exercise the rights of possession and use vested in the parties  
64  
65 hereto only for the purposes herein specified.  
66

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 suffi-  
cient 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 quan-  
tities is completed to the satisfaction of the Commissioner or until it is reasonably  
proven to the satisfaction of the unit operator that the unitized land is incapable  
of producing unitized substances in paying quantities in the formation drilled  
hereunder.

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

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

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

1 month period thereafter, file a report with the Commissioner and Division of the  
2 status of the development of the unit area and the development contemplated for  
3 the following twelve month period, such plan of contemplated development to be  
4 approved by the Division.  
5  
6

7 It is understood that one of the main considerations for the approval of  
8 this agreement by the Commissioner of Public Lands is to secure the orderly develop-  
9 ment of the unitized lands in accordance with good conservation practices so as to  
10 obtain the greatest ultimate recovery of unitized substances.  
11  
12

13 After discovery of unitized substances in paying quantities, unit operator  
14 shall proceed with diligence to reasonably develop the unitized area as a reasonably  
15 prudent operator would develop such area under the same or similar circumstances.  
16  
17

18 If the unit operator should fail to comply with the above covenant for rea-  
19 sonable development this agreement may be terminated by the Commissioner as to all  
20 lands of the State of New Mexico embracing undeveloped regular well spacing or pro-  
21 ration units, but in such event, the basis of participation by the working interest  
22 owners shall remain the same as if this agreement had not been terminated as to  
23 such lands; provided, however, the Commissioner shall give notice to the unit oper-  
24 ator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N. M.  
25 Statutes 1978 Annotated), of intention to cancel on account of any alleged breach  
26 of said covenant for reasonable development and any decision entered thereunder  
27 shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes  
28 1978 Annotated) and, provided further, in any event the unit operator shall be  
29 given a reasonable opportunity after a final determination within which to remedy  
30 any default, failing in which this agreement shall be terminated as to all lands  
31 of the State of New Mexico embracing undeveloped regular well spacing or proration  
32 units.  
33  
34

35 10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of  
36 producing unitized substances in paying quantities, the owners of working interests  
37 shall participate in the production therefrom and in all other producing wells  
38 which may be drilled pursuant hereto in the proportions that their respective lease-  
39 hold interests covered hereby on an acreage basis bears to the total number of acres  
40 committed to this unit agreement, and such unitized substances shall be deemed to  
41 have been produced from the respective leasehold interests participating therein.  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 For the purpose of determining any benefits accruing under this agreement and the 1  
2 distribution of the royalties payable to the State of New Mexico and other lessors, 2  
3 each separate lease shall have allocated to it such percentage of said production 3  
4 as the number of acres in each lease respectively committed to this agreement bears 4  
5 to the total number of acres committed hereto. 5  
6  
7  
8  
9

10  
11 Notwithstanding any provisions contained herein to the contrary, each working 11  
12 interest owner shall have the right to take such owner's proportionate share of the 12  
13 unitized substances in kind or to personally sell or dispose of the same, and 13  
14 nothing herein contained shall be construed as giving or granting to the unit operator 14  
15 the right to sell or otherwise dispose of the proportionate share of any working 15  
16 interest owner without specific authorization from time to time so to do. 16  
17  
18  
19  
20  
21

22  
23 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 24  
25 used for production or development purposes hereunder, or unavoidably lost, shall be 25  
26 deemed to be produced equally on an acreage basis from the several tracts of the 26  
27 unitized land, and for the purpose of determining any benefits that accrue on an 27  
28 acreage basis, each such tract shall have allocated to it such percentage of said 28  
29 production as its area bears to the entire unitized area. It is hereby agreed that 29  
30 production of unitized substances from the unitized area shall be allocated as pro- 30  
31 vided herein, regardless of whether any wells are drilled on any particular tracts 31  
32 of said unitized area. 32  
33  
34  
35  
36  
37  
38  
39  
40  
41

42  
43 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 44  
45 with the terms of their leases. 45  
46  
47  
48

49 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 50  
51 substances allocated to the respective leases committed hereto; provided, however, 51  
52 the State shall be entitled to take in kind its share of the unitized substances 52  
53 allocated to the respective leases, and in such case the unit operator shall make 53  
54 deliveries of such royalty oil in accordance with the terms of the respective leases. 54  
55  
56  
57  
58  
59  
60

61 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 62  
63 the terms of their leases and all royalties due under the terms of any such leases 63  
64  
65  
66

1 shall be paid on the basis of all unitized substances allocated to the respective 1  
2 leases committed hereto. 2  
3

4  
5 If the unit operator introduces gas obtained from sources other than the 5  
6 unitized substances into any producing formation for the purpose of repressuring, 6  
7 stimulating or increasing the ultimate recovery of unitized substances therefrom, a 7  
8 like amount of gas, if available, with due allowance for loss or depletion from any 8  
9 cause may be withdrawn from the formation into which the gas was introduced royalty 9  
10 free as to dry gas but not as to the products extracted therefrom; provided, that 10  
11 such withdrawal shall be at such time as may be provided in a plan of operation con- 11  
12 sented to by the Commissioner and approved by the Division as conforming to good 12  
13 petroleum engineering practices; and provided further, that such right of withdrawal 13  
14 shall terminate on the termination of this unit agreement. 14  
15  
16

17  
18 If any lease committed hereto is burdened with an overriding royalty, pay- 17  
19 ment out of production or other charge in addition to the usual royalty, the owner 18  
20 of each such lease shall bear and assume the same out of the unitized substances 19  
21 allocated to the lands embraced in each such lease as provided herein. 20  
22  
23

24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

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

67  
68 The terms, conditions and provisions of all leases, subleases, operating 67  
69 agreements and other contracts relating to the exploration, drilling development 68  
70 or operation for oil or gas of the lands committed to this agreement, shall as of 69  
71 the effective date hereof, be and the same are hereby expressly modified and amended 70  
72 insofar as they apply to lands within the unitized area to the extent necessary to 71  
73 make the same conform to the provisions hereof and so that the respective terms of 72  
74 said leases and agreements will be extended insofar as necessary to coincide with 73  
75 the term of this agreement and the approval of this agreement by the Commissioner 74  
76 and the respective lessors and lessees shall be effective to conform the provisions 75  
77 and extend the terms of each such lease as to lands within the unitized area to the 76  
78 provisions and terms of this agreement; but otherwise to remain in full force and 77  
79 effect. Each lease committed to this agreement, insofar as it applies to lands with- 78  
80 in the unitized area, shall continue in force beyond the term provided therein as 79  
81 long as this agreement remains in effect, provided, drilling operations upon the 80  
82 initial test well provided for herein shall have been commenced or said well is in 81  
83 the process of being drilled by the unit operator prior to the expiration of the 82  
84



1 shortest term lease committed to this agreement. Termination of this agreement 1  
2 shall not effect any lease which pursuant to the terms thereof or any applicable 2  
3 laws would continue in full force and effect thereafter. The commencement, com- 3  
4 pletion, continued operation or production on each of the leasehold interests com- 4  
5 mitted to this agreement and operations or production to this agreement shall be 5  
6 deemed to be operations upon and production from each leasehold interest committed 6  
7 hereto and there shall be no obligation on the part of the unit operator or any of 7  
8 the owners of the respective leasehold interests committed hereto to drill offsets 8  
9 to wells as between the leasehold interests committed to this agreement, except as 9  
10 provided in Section 9 hereof. 10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

1 Any lease embracing lands of the State of New Mexico having only a portion 21  
2 of its lands committed hereto shall be segregated as to the portion committed and 22  
3 as to the portion not committed and the terms of such leases shall apply separately 23  
4 as to such segregated portions commencing as of the effective date hereof. Notwith- 24  
5 standing any of the provisions of this agreement to the contrary, any lease embracing 25  
6 lands of the State of New Mexico having only a portion of its lands committed hereto 26  
7 shall continue in full force and effect beyond the term provided therein as to all 27  
8 lands embraced in such lease, if oil and gas, or either of them, are discovered 28  
9 and are being produced in paying quantities from some part of the lands embraced in 29  
10 such lease committed to this agreement at the expiration of the secondary term of 30  
11 such lease, or if, at the expiration of the secondary term, the lessee or the unit 31  
12 operator is then engaged in bona fide drilling or reworking operations on some part 32  
13 of the lands embraced therein shall remain in full force and effect so long as such 33  
14 operations are being diligently prosecuted, and they result in the production of 34  
15 oil or gas, said lease shall continue in full force and effect as to all of the lands 35  
16 embraced therein, so long thereafter as oil and gas, or either of them, are being 36  
17 produced in paying quantities from any portion of said lands. 37  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

14. CONSERVATION: Operations hereunder and production of unitized sub-  
stances 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 regu-  
lations.

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

1 substances from the lands embraced therein, unit operator shall drill such offset 1  
2 well or wells as a reasonably prudent operator would drill under the same or similar 2  
3 circumstances. 3  
4  
5

6  
7 16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to 7  
8 be covenants running with the land with respect to the interests of the parties 8  
9 hereto and their successors in interest until this agreement terminates, and any 9  
10 grant, transfer or conveyance of interest in land or leases subject hereto shall be 10  
11 and hereby is conditioned upon the assumption of all privileges and obligations 11  
12 hereunder to the grantee, transferee or other successor in interest. No assignment 12  
13 or transfer or any working, royalty, or other interest subject hereto shall be 13  
14 binding upon unit operator until the first day of the calendar month after the unit 14  
15 operator is furnished with the original, photostatic, or certified copy of the 15  
16 instrument of transfer. 16  
17  
18

19 17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon 19  
20 approval by the Commissioner and the Division and shall terminate in two years after 20  
21 such date unless (a) such date of expiration is extended by the Commissioner, or (b) 21  
22 a valuable discovery of unitized substances has been made on unitized land during 22  
23 said initial term or any extension thereof in which case this agreement shall remain 23  
24 in effect so long as unitized substances are being produced in paying quantities from 24  
25 the unitized land and, should production cease, so long thereafter as diligent oper- 25  
26 ations are in progress for the restoration of production or discovery of new pro- 26  
27 duction and so long thereafter as the unitized substances so discovered can be pro- 27  
28 duced as aforesaid. This agreement may be terminated at any time by not less than 28  
29 seventy-five percent (75%) on an acreage basis of the owners of the working interests 29  
30 signatory hereto, with the approval of the Commission and with notice to the Divi- 30  
31 sion. Likewise, the failure to comply with the drilling requirements of Section 8 31  
32 hereof, may subject this agreement to termination as provided in said section. 32  
33  
34

35 18. RATE OF PRODUCTION: All productions and the disposal thereof shall be 35  
36 in conformity with allocations, allotments, and quotas made or fixed by the Commis- 36  
37 sion, and in conformity with all applicable laws and lawful regulations. 37  
38  
39

40 19. APPEARANCES: Unit operator shall, after notice to other parties affec- 40  
41 ted have the right to appear for and on behalf of any and all interests affected 41  
42 hereby, before the Commissioner of Public Lands and the Division, and to appeal 42  
43 43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 from orders issued under the regulations of the Commissioner or Division, or to 1  
2 apply for relief from any of said regulations or in any proceedings on its own 2  
3 behalf relative to operations pending before the Commissioner or Division; provided, 3  
4 however, that any other interest party shall also have the right at his own expense 4  
5 to appear and to participate in any such proceeding. 5  
6  
7  
8  
9  
10

1 20. NOTICES: All notices, demands, or statements required hereunder to be 11  
2 given or rendered to the parties hereto, shall be deemed fully given, if given in 12  
3 writing and sent postpaid registered mail, addressed to such party or parties at 13  
4 their respective addresses, set forth in connection with the signatures hereto or to 14  
5 the ratification or consent hereof, or to such other address as any such party may 15  
6 have furnished in writing to party sending the notice, demand, or statement. 16  
7  
8  
9  
10  
11  
12

1 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the 23  
2 unit operator to commence or continue drilling or to operate on or produce unitized 24  
3 substances from any of the lands covered by this agreement, shall be suspended while, 25  
4 but only so long as, the unit operator, despite the exercise of due care and dili- 26  
5 gence, is prevented from complying with such obligations, in whole or in part, by 27  
6 strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable 28  
7 accidents, uncontrollable delays in transportation, inability to obtain necessary 29  
8 materials in open market, or other matters beyond the reasonable control of the 30  
9 unit operator, whether similar to matters herein enumerated or not. 31  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

1 22. LOSS OF TITLE: In the event title to any tract of unitized land or 41  
2 substantial interest therein shall fail, and the true owner cannot be induced to 42  
3 join the unit agreement so that such tract is not committed to this agreement, or 43  
4 the operation thereof hereunder becomes impracticable as a result thereof, such 44  
5 tract may be eliminated from the unitized area, and the interest of the parties re- 45  
6 adjusted as a result of such tract being eliminated from the unitized area. In the 46  
7 event of a dispute as to the title to any royalty, working, or other interest subject 47  
8 hereto, the unit operator may withhold payment or delivery of the allocated portion 48  
9 of the unitized substances involved, on account thereof, without liability for in- 49  
10 terest until the dispute is finally settled, provided that no payments of funds 50  
11 due the State of New Mexico shall be withheld. Unit operator, as such, is relieved 51  
12 from any responsibility for any defect or failure of any title hereunder. 52  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

1 23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit 65  
2 66

1 area not committed hereto, prior to the submission of the agreement for final 1  
2 approval by the Commissioner and the Division, may be committed hereto by the owner 2  
3 or owners of such rights, subscribing or consenting to this agreement, or executing 3  
4 a ratification thereof, and if such owner is also a working interest owner, by 4  
5 subscribing to the operating agreement providing for the allocation of costs of 5  
6 exploration, development and operation. A subsequent joinder shall be effective as 6  
7 of the first day of the month following the approval by the Commissioner and the 7  
8 filing with the Division of duly executed counterparts of the instrument or instru- 8  
9 ments committing the interest of such owner to this agreement, but such joining 9  
10 party or parties, before participating in any benefits hereunder, shall be required 10  
11 to assume and pay to unit operator, their proportionate share of the unit expenses 11  
12 incurred prior to such party's or parties' joinder in the unit agreement, and the 12  
13 unit operator shall make appropriate adjustments caused by such joinder, without 13  
14 any retroactive adjustment or revenue. 14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66

24. COUNTERPARTS: This agreement may be executed in any number of counter-  
parts, 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 agree-  
ment to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

ATTEST:

HARVEY E. YATES COMPANY

\_\_\_\_\_  
Assistant Secretary

By: \_\_\_\_\_  
George M. Yates, Vice President

DATE: July 25, 1980

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) §§

The foregoing instrument was acknowledged before me this 25th day of  
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

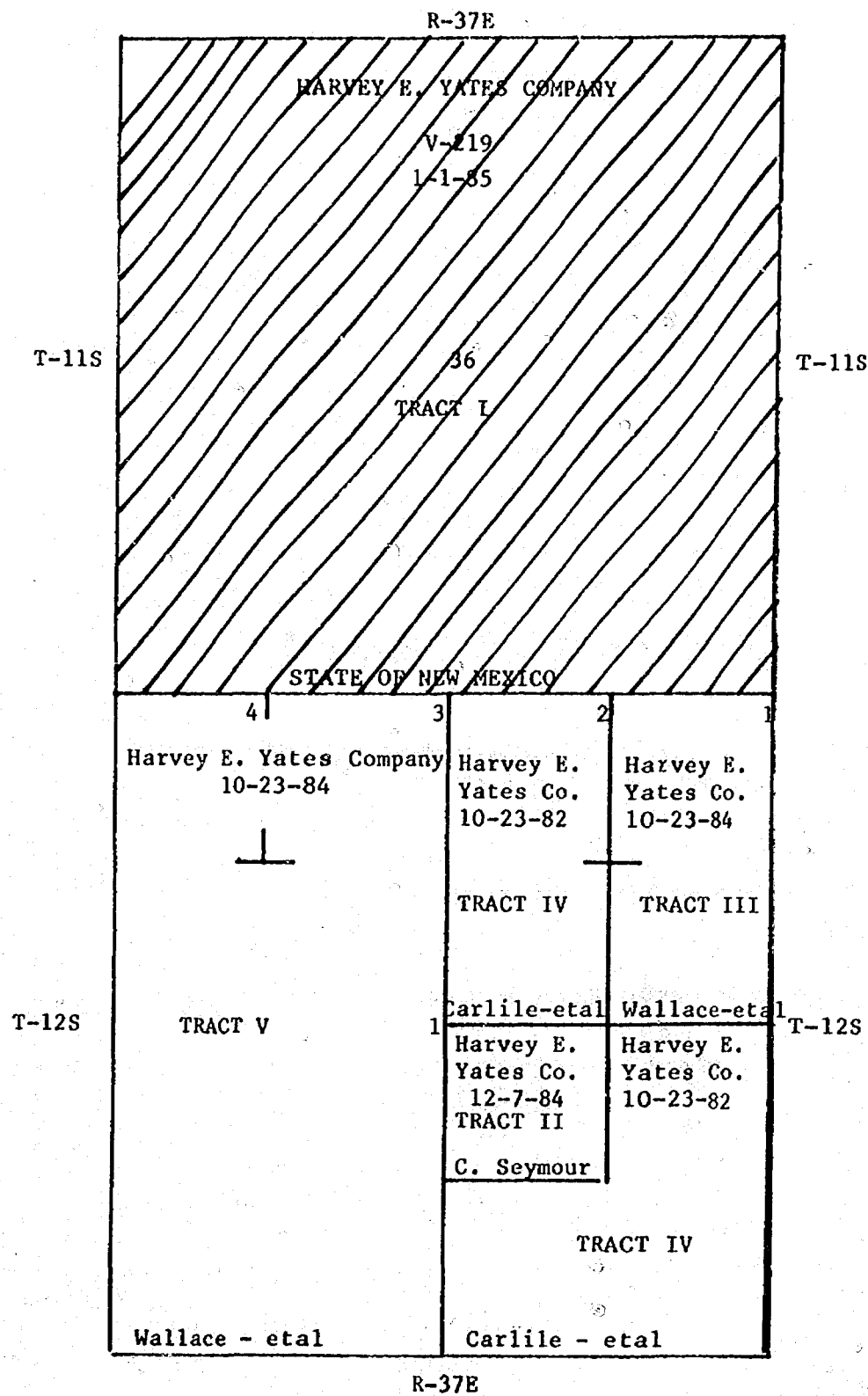
\_\_\_\_\_  
Notary Public

# 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 SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTSNORTHWEST 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
<u>TOWNSHIP 11 SOUTH, RANGE 37 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>						
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%
STATE OF NEW MEXICO LANDS: 640.0 Acres (50.002% of Unit)						
<u>PATENTED (FEE) LANDS: - TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>						
2	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	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%
3	Sec. 1: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.0	Fee 10-23-84	Herman H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 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

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 INTEREST AND PERCENTAGE
<u>7 EAST, N.M.P.M. - STATE OF NEW MEXICO LANDS</u>						
	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%	Harvey E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates Inc. 7.5% Explorers Petro- leum Corp. 7.5%
640.0 Acres (50.002% of Unit)						
<u>TOWNSHIP 12 SOUTH, RANGE 37 EAST, N.M.P.M.</u>						
	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%	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 H. Wallace $\frac{1}{2}$ of 15.62% Ida Mae Stevenson $\frac{1}{2}$ of 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 INTERESTSNORTHWEST 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
<u>PATENTED (FEE) LANDS:</u>						
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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%
4.	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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%
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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%

## 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
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 INTERESTSNORTHWEST 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	W
<u>PATENTED (FEE) LANDS:</u>							
4	Sec. 1: Lot 2, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	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%	Ha Co Sp Fr
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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%	Ha Co Sp Fr
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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%	Ha Co Sp Fr

## 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
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 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	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%
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 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

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	WORKING
PATENTED (FEE) LANDS:							
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Company Spiral Fred G.  Explor leum Co
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Company Spiral Fred G.  Explor leum Co
5	Sec. 1: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	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 Company Spiral Fred G.  Explor leum Co

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



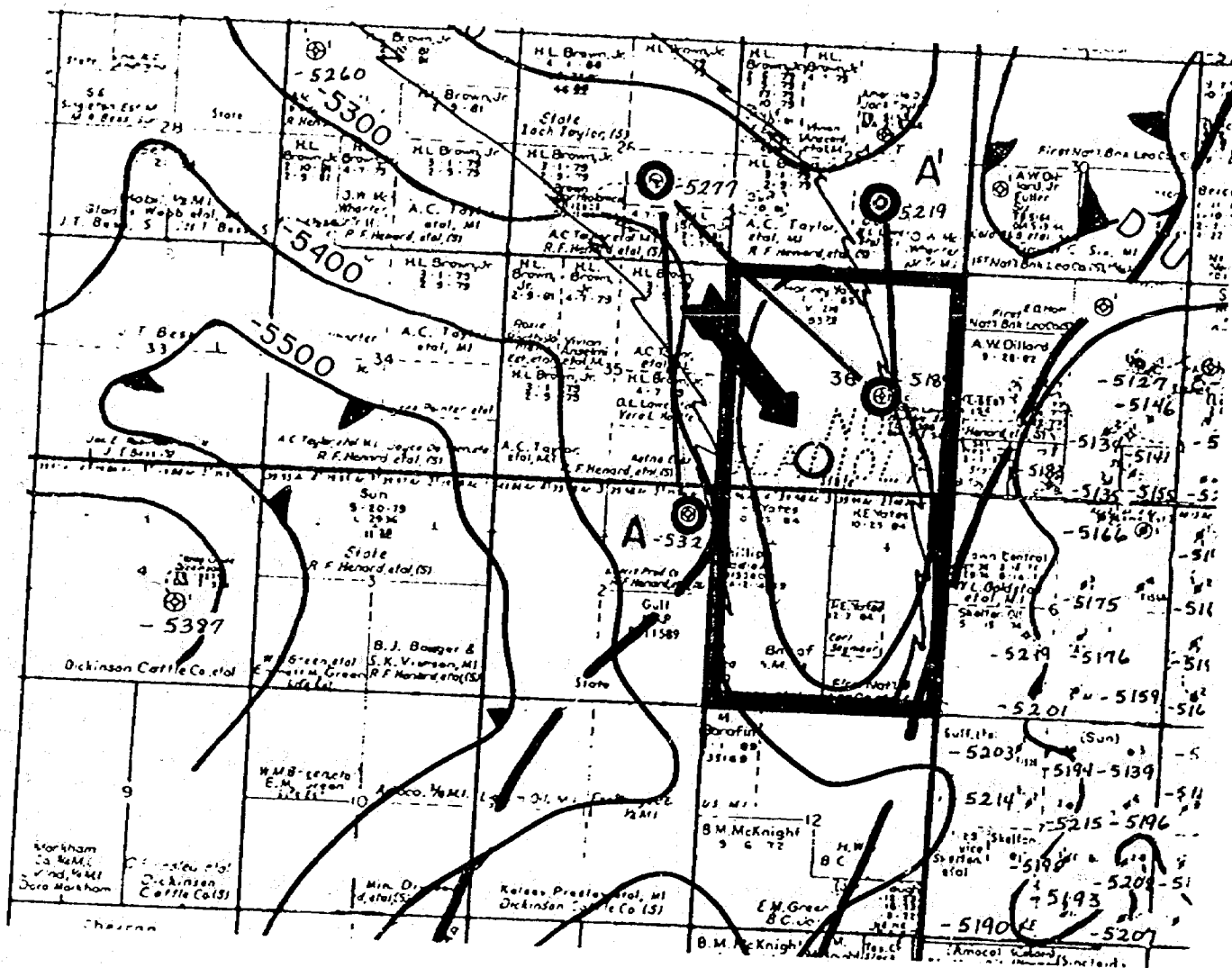
## EXHIBIT "B"

## 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
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 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 Clarence Wallace 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%
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 E. Yates Company 77.5% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petro- leum Corp. 7.5%

Acres (49.998% of Unit)



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

HARVEY E. YATES CO.  
 Roswell, New Mexico

N.W. GLADIOLA PROSPECT  
 LEA COUNTY, N.M.  
 Wc Ø Trend; ☒ Faults

Contoured on: T/Wolfcamp

Contour Interval: 100'

Map Scale: 1" = 4000'

R.C. Smith July '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, Alternate Examiner:

- ALLOWABLE: (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.
- 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 1,920 acres, more or less, of State and Federal lands in Township 23 South, Range 34 East.
- 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 proration 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 feet 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 2S, 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, seeks 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: (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 Mexico. 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.

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, Lea 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 cause, seeks a new onshore reservoir determination 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.

CASE 7006: 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: 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 proration 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 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.

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 Abo 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 East, Lovington-Abo Pool.

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, Township 24 South, Range 37 East, to produce gas from the Jalnat Gas 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 NW/4, Section 11; "D" No. 7, SW/4 of Section 11; and "E" No. 1, NW/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 RCRA 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: 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, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 38 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 Jal-Atoka Gas Pool. The discovery well is Getty Oil Company West Jal B Deep Well No. 1 located in Unit H of Section 17, Township 25 South, Range 36 East, NMPM. Said pool would comprise:

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

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Saunders-Morrow 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, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM  
Section 35: All

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

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 13: SE/4  
Section 23: SE/4  
Section 24: S/2 and NE/4  
Section 25: N/2 and SE/4  
Section 26: N/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM  
Section 18: S/2  
Section 19: N/2 and SE/4  
Section 20: All

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

TOWNSHIP 13 SOUTH, RANGE 32 EAST, 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  
Section 20: All

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

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

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

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

TOWNSHIP 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 Gas 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

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

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM  
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, NMPM  
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, RANGE 36 EAST, NMPM  
Section 1: E/2



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

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

TOWNSHIP 25 SOUTH, RANGE 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-Blindery 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, NMPM  
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, NMPM  
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, NMPM  
Section 35: NW/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 SOUTH, RANGE 35 EAST, NMPM  
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 Lea County, New Mexico, to include therein:

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

**HEYCO**

PETROLEUM PRODUCERS



**HARVEY E. YATES COMPANY**

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 88201

July 29, 1980

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

*Case 7006*

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

Gentlemen:

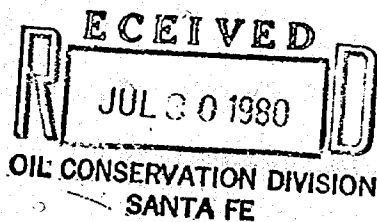
Enclosed for filing is an original and two copies of the  
above referenced application. This matter has previously  
been set for examiner hearing on the August 20, 1980 Docket.

Sincerely,

Robert H. Strand  
Attorney

Encls.  
RHS:klo

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. 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 Northwest Gladiola 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.

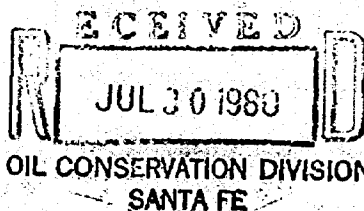
Section 1: All

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  
Fee

50.002734%  
49.997266%  
100.000000%



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 29th day of July, 1980.

HARVEY E. YATES COMPANY

By: 

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. 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 Northwest Gladiola 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,

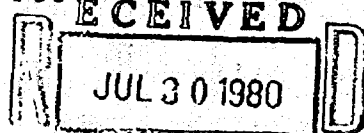
3. The Mineral ownership within the proposed unit area is as follows:

State of New Mexico  
Fee

50.002734%

49.997266%

100.000000%



OIL CONSERVATION DIVISION  
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 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 29th day of July, 1980.

HARVEY E. YATES COMPANY

By: 

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. 7606

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 Northwest Gladiola 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.

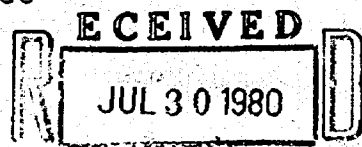
Section 1: All

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  
Fee

50.0027348  
49.9972668  
100.0000008



OIL CONSERVATION DIVISION  
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 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 29th day of July, 1980.

HARVEY E. YATES COMPANY

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

OCD-1 #21

ROUGH

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

dr/

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:

This cause came on for hearing at 9 a.m. on September 3,  
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ 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 ~~Federal~~  
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 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.



(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 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



Called in by Bob Strand  
7/28/80

Harvey E. Yates Company  
Unit Agreement  
Northwest Gladiola Unit

36-115-37E

1-125-37E

Lee County

1280 acres

State and fee lands