

STIPULATION AND AGREEMENT

BEFORE EXAMINER STOGNER

OIL CONSERVATION DIVISION

OCD EXHIBIT NO. 3

NO. 12955

This Stipulation and Agreement, entered into between the New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico ("the Division") and Yates Petroleum Corporation ("Yates") in connection with, and in partial settlement of, Division Case No. 12955

WITNESSETH:

Whereas:

A. Yates is the operator of the wells identified on Exhibit "A" hereto ("Inactive Wells") and Exhibit "B" hereto ("Shut-In Wells").

B. Applicant has filed Case No. 12955 seeking an order directing Yates to bring all of the Inactive Wells and Shut-In Wells into compliance with Division Rule 201.B, by either restoring the wells to production, causing them to be plugged and abandoned, or placing them in temporary abandonment status under Division Rule 203.

C. Applicant and Yates have entered into this agreement in order to partially resolve the issues in Case No. 12955, and to define the issues remaining to be resolved.

Now, Therefore:

1. Yates agrees and stipulates that each of the Inactive Wells and each of the Shut In Wells has been inactive for a period of one year plus ninety (90) days, in the sense that (1) there has been no actual production of oil or gas therefrom during that period and (2) there has been no injection of fluids into any such well pursuant to any Division-approved injection permit or order.

2. Yates has informed the Division, and the Division does not dispute, that each of the Shut-In Wells is properly shut-in pursuant to the terms of Yates' leases, and that it is necessary to retain such wells in shut-in status, and not to plug and abandon the same, in order to maintain the affected leases in force.

3. Yates hereby agrees that it will cause each of the Inactive Wells (specifically described on Exhibit A) to be brought into compliance not later than April 30, 2003, by either (a) restoring such well to actual production, (b) causing same to be plugged and abandoned and the site thereof to be remediated in full compliance with Division Rule 202, or (c) causing same to be temporarily abandoned in compliance with Division Rule 203.,

4. Yates shall cause a minimum of eight (8) wells to be brought into compliance during each calendar month, beginning with the month of October, 2002. If more than

eight wells are brought into compliance during any month, the wells in excess of the eight required herein shall be credited to Yates' obligation hereunder for succeeding months, provided that all of the Inactive Wells shall be brought into compliance by April 30, 2003, except as provided in Paragraph 6 below. A well shall be considered to be in compliance when (a) all necessary work has been performed to bring the well into compliance; (b) all necessary reports have been filed with the appropriate district office of the Division and (c) in the case of a plugged well, Yates has reported to the district office of the Division that the site is ready for final compliance inspection, or (d) in the case of a well restored to production, actual production has commenced.

5. Yates further agrees (a) to report monthly to the Director of the Division on the progress made toward bringing the Inactive Wells into compliance and (b) to immediately notify the Division in writing of any event which prevents or delays its performance pursuant to Paragraph 4.

6. Yates shall not be required to comply with the requirements of Paragraph 4 hereof by April 30, 2003 for any of the Inactive Wells if (a) Yates is unable to plug and abandon such well because the Division has not completed its review and approval of forms filed by Yates for the well, or (b) the plugging program for the well has not been approved by the Division, and Yates and Division personnel are actively working to resolve administrative or mechanical issues concerning the actions required to bring the well into compliance.

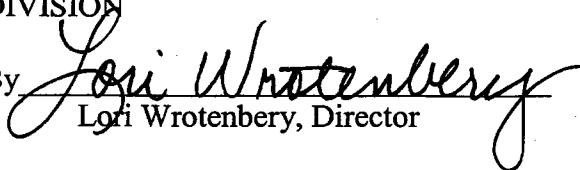
7. Yates agrees that the terms above (Paragraphs 1 through 6 inclusive and this paragraph) may be incorporated in any order issued by the Division in Case No. 12955, and that, in the event of non-compliance with the terms of said paragraphs, the same may be enforced by civil penalty pursuant to the provisions of the New Mexico Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

8. With respect to the Shut-In Wells, Yates contends that such wells are in compliance with Division Rule 201 by virtue of their status as shut-in gas wells allowed to be maintained as such under the terms of the governing leases and Yates' compliance with the terms of the shut-in clauses of the respective leases. The Division disagrees with that contention, and contends that the Shut-In Wells, to be in compliance with Division rules, must be placed in "temporary abandonment" status.

In WITNESS WHEREOF the parties have executed this instrument to be effective as of October 24, 2002.

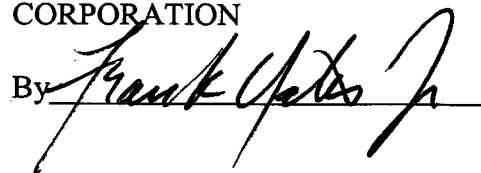
NEW MEXICO OIL CONSERVATION
DIVISION

By


Lori Wrotenbery, Director

YATES PETROLEUM
CORPORATION

By



Stipulation and Agreement
Yates Petroleum Corporation
Case No. 12955
EXHIBIT A

Seq.	API #	District	Type	Production/ Injection	Well Name and Number	ULSTR	FNS	FEW
1	30-015-20278	ARTESIA	O	08-1997	ALLISON CQ FEDERAL #001	P-22-19S-24E	660S	660E
2	30-015-10414	ARTESIA	G	09-1997	ARCHIMEDES ARE STATE COM #001		1650S	1980E
3	30-015-03236	ARTESIA	O	10-1985	BALLARD A #004	J-01-18S-29E	1650S	1650E
4	30-015-03244	ARTESIA	O	02-1982	BALLARD A #005	I-01-18S-29E	1980S	990E
5	30-015-03241	ARTESIA	O	09-1985	BALLARD B #002	G-01-18S-29E	2310N	2310E
6	30-005-60890	ARTESIA	G	07-1994	BELL ESTATE #001	J-17-05S-24E	1980S	1980E
7	30-015-23371	ARTESIA	O	11-1996	BENSON DEEP AAS FEDERAL #002	E-34-18S-30E	2030N	660W
8	30-005-61274	ARTESIA	G	NONE	BERRENDO #001	I-05-10S-24E	1980S	990E
9	30-005-61896	ARTESIA	G	NONE	BERRENDO WP STATE #001	A-36-10S-24E	660N	660E
10	30-005-62946	ARTESIA	G	05-1995	BLACKWATER ACX FEDERAL #001	I-07-09S-22E	1980S	660E
11	30-005-63028	ARTESIA	G	03-1997	BLACKWATER ADF FEDERAL #001	L-04-09S-22E	1980S	660W
12	30-005-61328	ARTESIA	G	02-1996	BRONSON SH COM #001	H-09-05S-24E	1980N	660E
13	30-015-21704	ARTESIA	G	02-1993	CAFFALL FD COM #001	O-15-17S-26E	660S	1980E
14	30-005-62008	ARTESIA	G	NONE	CAROL VI FEDERAL COM #001	P-24-07S-22E	660S	990E
15	30-005-61763	ARTESIA	G	NONE	CHAVES UY STATE #001	A-32-08S-25E	990N	660E
16	30-015-20457	ARTESIA	O	01-1998	CONOCO AGK FEDERAL #002	G-26-20S-24E	1980N	1980E
17	30-015-26623	ARTESIA	O	04-1993	DEE 36 SE STATE #003	J-36-19S-24E	1650S	1980E
18	30-015-20436	ARTESIA	O	08-1981	EAGLE CREEK BL #002	N-23-17S-25E	330S	2310W
19	30-005-61369	ARTESIA	G	NONE	EDDLEMAN FEDERAL #002	G-09-07S-22E	1980N	1980E
20	30-005-61752	ARTESIA	O	NONE	FAIRCLOTH VD STATE #001	F-07-08S-27E	2310N	1650W
21	30-015-23379	ARTESIA	G	03-1993	FEDERAL 33 #001	I-33-20S-26E	1980S	690E
22	30-005-61862	ARTESIA	G	NONE	FOX WG STATE #001	D-17-08S-27E	660N	660W
23	30-015-10886	ARTESIA	O	06-1979	GERARD AW #002	J-25-18S-25E	2310S	1650E
24	30-015-20419	ARTESIA	S	NONE	GISSLER AV #006	G-23-17S-25E	2310N	1650E
25	30-005-62091	ARTESIA	G	NONE	GRYNBERG STATE COM #001	L-20-09S-27E	1980S	660W
26	30-005-62911	ARTESIA	G	06-1996	HANLAD AKZ STATE #002	M-13-08S-27E	330S	1225W
27	30-025-31073	HOBBS	O	08-1996	HOURLASS AEG STATE #001	A-16-18S-35E	660N	660E
28	30-015-22746	ARTESIA	G	02-1997	IRISH HILLS JE STATE COM #001	G-12-19S-24E	1980N	1980E
29	30-015-23257	ARTESIA	O	05-1991	IRISH HILLS YESO JE STATE #003	H-12-19S-24E	2310N	330E
30	30-041-20474	HOBBS	O	10-1992	L HARRIS FEDERAL #002	G-22-07S-35E	1980N	1980E
31	30-005-60951	ARTESIA	G	NONE	LAKE TANK #001Y	I-18-06S-24E	1980S	710E
32	30-005-60865	ARTESIA	G	NONE	MELENA FEDERAL #001	C-15-09S-24E	660N	1980W

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Seq. No.	API #	District	Type	Production/ Last		Well Name and Number	UI STR	FNS	FEW
				Injection					
33	30-015-01898	ARTESIA	O	04-1974		POWELL STATE #001	M-17-18S-28E	330S	330W
34	30-005-61327	ARTESIA	G	01-1986		RIC #005	M-20-06S-25E	660S	660W
35	30-005-61818	ARTESIA	G	NONE		ROADRUNNER VY STATE #001	O-06-08S-27E	660S	1980E
36	30-005-62875	ARTESIA	G	NONE		SALT CREEK ACL FEDERAL #002	H-11-08S-21E	1980N	660E
37	30-015-23890	ARTESIA	O	11-1997		SARA AHA COM #001	I-11-20S-24E	1980S	660E
38	30-015-04434	ARTESIA	O	12-1992		SCHEURICH A #005	E-32-17S-30E	2310N	1260W
39	30-015-04422	ARTESIA	O	06-1984		SCHEURICH B #006	F-32-17S-30E	2310N	2310W
40	30-005-61552	ARTESIA	G	05-1997		SHADDEN #001	M-10-06S-26E	990S	990W
41	30-015-23793	ARTESIA	G	03-1992		SHARP QS COM #001	P-04-17S-26E	660S	660E
42	30-025-28994	HOBBS	O	12-1992		SHIPP ZI #002	D-27-16S-37E	660N	1100W
43	30-015-24722	ARTESIA	G	11-1998		SLINKARD UR FEDERAL #002	F-11-20S-29E	1980N	1980W
44	30-015-23660	ARTESIA	G	03-1993		STATE 32 COM #001	G-32-20S-26E	2080N	1980E
45	30-015-28194	ARTESIA	G	NONE		STONEWALL AOS STATE COM #001	P-20-20S-28E	660S	660E
46	30-015-20892	ARTESIA	G	10-1993		STONEWALL DD COM #001	N-20-20S-28E	660S	1980W
47	30-025-28628	HOBBS	O	11-1988		SWAN VB STATE #003	L-21-14S-33E	1980S	660W
48	30-015-27028	ARTESIA	G	12-1998		VANDIVER AIM #001	E-17-18S-26E	2162N	660W
49	30-015-03232	ARTESIA	O	08-1977		W L H GAS UNIT #001	K-01-18S-29E	2310S	2310W
50	30-015-03250	ARTESIA	O	02-1984		W L H GAS UNIT #001	N-02-18S-29E	330S	2310E
51	30-015-03383	ARTESIA	O	02-1983		W L H GAS UNIT #001	B-11-18S-29E	330N	2310E
52	30-015-03261	ARTESIA	O	02-1984		W L H GAS UNIT #002	F-02-18S-29E	2310N	2310W
53	30-015-03264	ARTESIA	O	02-1984		W L H GAS UNIT #002	H-02-18S-29E	2310N	330E
54	30-015-10348	ARTESIA	O	12-1992		W L H GAS UNIT #002	M-01-18S-29E	660S	330W
55	30-015-03363	ARTESIA	O	03-1986		W L H GAS UNIT #003	K-10-18S-29E	2310S	1650W
56	30-015-10727	ARTESIA	O	03-1986		W L H GAS UNIT #003	M-02-18S-29E	990S	1270W
57	30-015-20033	ARTESIA	O	02-1984		W L H GAS UNIT #003	A-11-18S-29E	1190N	150E
58	30-015-20676	ARTESIA	O	03-1986		W L H GAS UNIT #003	N-02-18S-29E	990S	2245W
59	30-015-03253	ARTESIA	O	02-1984		W L H GAS UNIT #004	E-02-18S-29E	2310N	990W
60	30-015-03266	ARTESIA	O	02-1984		W L H GAS UNIT #004	B-02-18S-29E	1220N	1420E
61	30-015-03251	ARTESIA	O	08-1989		W L H GAS UNIT #005	D-02-18S-29E	990N	990W
62	30-015-03386	ARTESIA	O	02-1984		W L H GAS UNIT #007	I-11-18S-29E	2310S	1270E
63	30-015-10869	ARTESIA	O	03-1986		W L H GAS UNIT #010	L-12-18S-29E	1800S	990W
64	30-005-62696	ARTESIA	G	NONE		WEST OF EDEN UNIT #001	N-14-07S-23E	660S	1980W

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Seq. No.	API #	District	Type	Production/ Injection	Well Name and Number	ULSTR	FNS	FEW
65	30-005-20793	HOBBS	O	06-1996	WESTERN RESERVES 34 FEDERAL #0 E-34-07S-31E		1650N	990W
66	30-015-20395	ARTESIA	O	07-1997	WHITE BU #001	F-14-17S-25E	2310N	2310W
67	30-041-20688	HOBBS	O	12-1991	WILCOX TS #002	G-19-07S-32E	1980N	2310E
68	30-015-04470	ARTESIA	O	12-1992	YATES #001	6-06-18S-30E	1980S	660W
69	30-015-04475	ARTESIA	O	12-1992	YATES #006	5-06-18S-30E	999S	999E
70	30-015-04476	ARTESIA	O	12-1992	YATES A #001	4-06-18S-30E	330N	330W
71	30-015-04478	ARTESIA	O	12-1992	YATES A #003	2-06-18S-30E	330N	2310E
72	30-015-04480	ARTESIA	O	02-1984	YATES A #005	7-06-18S-30E	990S	330W
73	30-015-04481	ARTESIA	O	11-1976	YATES A #006	G-06-18S-30E	1650N	2310E
74	30-015-04483	ARTESIA	O	03-1983	YATES A #008	3-06-18S-30E	990N	2231W
75	30-005-63125	ARTESIA	O	06-1997	ZIGGY ARC STATE #001	B-12-11S-27E	990N	2310E

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EXHIBIT B

Seq. No.	API #	District	Type	Production/ Last Injection	Well Name and Number	ULSTR	FNS	FEW
1	30-005-60890	ARTESIA	G	07-1994	BELL ESTATE #001	J-17-05S-24E	1980S	1980E
2	30-005-61274	ARTESIA	G	NONE	BERRENDO #001	I-05-10S-24E	1980S	990E
3	30-005-61896	ARTESIA	G	NONE	BERRENDO WP STATE #001	A-36-10S-24E	660N	660E
4	30-005-62946	ARTESIA	G	05-1995	BLACKWATER ACX FEDERAL #001	I-07-09S-22E	1980S	660E
5	30-005-63028	ARTESIA	G	03-1997	BLACKWATER ADF FEDERAL #001	L-04-09S-22E	1980S	660W
6	30-005-62008	ARTESIA	G	NONE	CAROL VI FEDERAL COM #001	P-24-07S-22E	660S	990E
7	30-005-61763	ARTESIA	G	NONE	CHAVES UY STATE #001	A-32-08S-25E	990N	660E
8	30-005-61752	ARTESIA	O	NONE	FAIRCLOTH VD STATE #001	F-07-08S-27E	2310N	1650W
9	30-005-61862	ARTESIA	G	NONE	FOX WG STATE #001	D-17-08S-27E	660N	660W
10	30-005-60865	ARTESIA	G	NONE	MELENA FEDERAL #001	C-15-09S-24E	660N	1980W
11	30-005-61818	ARTESIA	G	NONE	ROADRUNNER VY STATE #001	O-06-08S-27E	660S	1980E
12	30-005-62875	ARTESIA	G	NONE	SALT CREEK ACL FEDERAL #002	H-11-08S-21E	1980N	660E
13	30-015-23793	ARTESIA	G	03-1992	SHARP QS COM #001	P-04-17S-26E	660S	660E
14	30-015-23660	ARTESIA	G	03-1993	STATE 32 COM #001	G-32-20S-26E	2080N	1980E
15	30-015-28194	ARTESIA	G	NONE	STONEWALL AOS STATE COM #001	P-20-20S-28E	660S	660E
16	30-015-20892	ARTESIA	G	10-1993	STONEWALL DD COM #001	N-20-20S-28E	660S	1980W
17	30-005-62696	ARTESIA	G	NONE	WEST OF EDEN UNIT #001	N-14-07S-23E	660S	1980W
18	30-005-63125	ARTESIA	O	06-1997	ZIGGY ARC STATE #001	B-12-11S-27E	990N	2310E