

State of New Mexico Commissioner of Public Lands

RAY POWELL, M.S., D.V.M. COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760 FAX (505) 827-5766

SLO REF NO. OG-1345

February 10, 1994

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

Attn: Ms. Mecca Mauritsen

Re: 1994 Plan of Development

Lagarto State Unit Lea County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date approved the above captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

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

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

Very truly yours,

COMMISSIONER OF PUBLIC LANDS

BY:

FLOYD O. PRANDO, Director Oil and Gas Division

(505) 827-5744

RBP/FOP/pm

CC: OCD -- Roy Johnson

BLM



State of New Mexico

OFFICE OF THE

Commissioner of Public Lands Santa Fe

P 0. BOX 1148 SANTA FE, NEW MEXICO 87504-1148

SLO REF NO. OG-1264

March 11, 1993

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

Attn: Ms. Mecca Mauritsen

Re: 1993 Plan of Development

Lagarto State Unit Lea County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date approved the above captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

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

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

Very truly yours,

JIM BACA COMMISSIONER OF PUBLIC LANDS

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

JB/FOP/pm cc: OCD BLM

State of New Mexico





DOD

Commissioner of Public Lands

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

#9757

September 12. 1989

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

ATTN: Cy Cowan

RE: Proposed Lagarto State Unit

Lea County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of the unit agreement submitted for the proposed Lagarto State Unit Area. Roosevelt County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date have been granted.

When submitting your agreement for final approval, please include the following items:

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

4. Please send an original and one copy of the final Unit Agreement and Unit Operating Agreement for our files.

Your filing fee of two hundred forty dollars (\$240.00) was received.

If we may be of further help, please do not hesitate to call Susan Howarth at (505) 827-5791.

Very truly yours,

W.R. HUMPHRIES COMMISSIONER OF PUBLIC LANDS

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

cc: GCD - Santa Fe, NM
BLM - Roswell, NM
Unit Files

State of New Mexico





Commissioner of Public Lands

P.O. BOX 1148 " MEXICO 87504-1148

September 29, 1989

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

ATTN: Cy Cowan

RE: Approval of Lagarto State Unit

Lea County, New Mexico

Gentlemen:

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Lagarto State Unit Agreement, Lea County, New Mexico. It is our understanding that tracts 7 and 13 are not committed at this time.

Our approval is subject to like approval by the New Mexico Oil Conservation Division. Enclosed are five (5) Certificates of Approval and one copy of the approved Unit Agreement.

Your filing fee in the amount of two hundred forty dollars (\$240.00) was received.

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

Very truly yours,

W.R. HUMPHRIES

COMMISSIONER OF PUBLIC LANDS ople Than

FLOYD O. PRANDO, Director Oil and Gas Division (505) 827-5749

WRH/FOP/SMH enclosures

cc: OCD - Santa Fe, New Mexico BLM - Roswell, New Mexico

Unit Name LAGARTO STATE UNIT
Operator YATES PETROLEUM CORPORATION County LEA COUNTY, NM

September 29, 1989	DATE APPROVED
Case No.: 9757 Order No.: R-9004	OCC CASE NO.
September 29, 1989	EFFECTIVE DATE
4409.91	TOTAL ACREAGE
4404.91	STATE
-0-	FEDERAL
0	INDIAN-FEE
Strict	SEGREGATION CLAUSE
5/So long	NTERM

UNIT AREA

T-11-S, R-34-E

Section 1 : All Section 12: All Section 13: All Section 24: All

Tracts 7 and 13 are not committed to the UNIT Agreement

T-11-S, R-35-E

Section 6 : All Section 7 : All Section 18: All Section 19: Lots 1 and 2, NE/4, E/2NW/4, SE/4

LAGARIO STATE UNIT

REPORT TO DEPARIMENTS

ω •	.		Tract
T11S-R34E Sec. 24: All	T11S-R34E Sec. 13: N1, SE1	T11S-R34E Sec. 12: NW 1 S}, N 1 NE 1, SW 1 NE 1	Description
640.00	480.00	600.00	No. of
V-1238_1 10-1-89	V-1237 10-1-89	V-1236 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner &
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Working Interest Owner & Percentage
C IS	C. s.	Cs	BENEFICIARY

- 10%

LAGARIO SIATE UNIT REPORT TO DEPARIMENTS

7 ** *	٠ •	ហ •	. 4.	Tract
T11S-R35E Sec. 7: NE ¹ , S ¹ , W ¹ NW ¹	T11S-R34E Sec. 1: Lots 1-4, S}	T11S-R35E Sec. 19: Lots 1,2, NE4, E2NW4, SE4	T11S-R35E Sec. 18: Lots 3, 4, E½SW¼, SE¼	Description
542.76	388.88	471.51	311.43	No. of
V-1318-1 1-1-90	V-1611 10-1-90	V-1240 10-1-89	V-1239 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Conoco Inc.	Yates Petroleum Corporation	Yates Petroleum Corp. Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	None	Overriding Royalty Owner Percentage
Conoco Inc 100% C	Yates Petroleum ————————————————————————————————————	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Working Interest Owner & Percentage
C.S.	n	C S	C.S.	BENEFICIARY

*** THIS TRACT IS NOT COMMITTED TO THE UNIT

LAGARTO STATE UNIT

REPORT TO DEPARTMENTS

10.	9	æ •	Tract
T11S-R35E Sec. 7: Elnwl	T11S-R35E Sec. 6: SE\sE\	T11S-R35E Sec. 18: N	Description
80.00	40.00	311.41	No. of Acres
V-1871 7-1-91	V-1870 7-1-91	V-1833 5-1-91	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation - 4 Yates Drilling Company - 2 Abo Petroleum Corporation - 2 Myco Industries, Company - 2	Yates Petroleum Corporation - 4 Yates Drilling - 2 Company - 2 Abo Petroleum Corporation - 2 Myco Industries, Company - 2	Yates Petroleum Corporation - 7 Yates Drilling Company - 1 Abo Petroleum Corporation - 1 Myco Industries, Company - 1	Working Interest Owner & Percentage
C.S. 20% 20%	40% 20% 20% 20%	70% 10% 10%	BENEFICIA

LARY

LAGARIO STATE UNIT

REPORT TO DEPARTMENTS

- 100%	Maralo, Inc.	None	Maralo, Inc.	State of New Mexico 16.6%	V-2960 4-1-94	40.00	T11S-R34E Sec. 12: SEANEA	13。***
20%	Abo Petroleum Corporation Myco Industries, Company							
1 40%	Yates Petroleum Corporation Yates Drilling Company	None	Yates Petroleum Corporation	State of New Mexico 18.75%	VB-263 8-1-93	160.00	T11S-R34E Sec. 13: SW	12.
- 100%	Yates Petroleum Corporation	None	Yates Petroleum Corporation	State of New Mexico 12.5%	LH-882 12-1-91	338.92 -6, Sw\$se\$	T11S-R35E Sec. 6: Lots 1-6, E}SW1, N}SE1, SW1	11.
est tage	Working Interest Owner & Percentage	Overriding Royalty Owner Percentage	Lessee of Record	Basic Royalty Owner & Percentage	Serial No. & Expiration Date of Lease	No. of Acres	Description	Tract

BENEFICIARY

TOTAL 4,404.91 ACRES STATE OF NEW MEXICO LANDS

RECAPITULATION

4,404.91 acres of State of New Mexico Lands - 100% of Unit Area

^{***} THIS TRACT IS NOT COMMITTED TO THE UNIT

State of New Mexico





Commissioner of Put



---- MEXICO 87504-1148

November 6, 1989

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

ATTN: Mr. Cy Cowan

RE: Lagarto State Unit

Subsequent Joinder of Tract 13

Gentlemen:

We received your letter, dated October 30, 1989, and enclosed Consent and Ratification to the Unit Agreement and Unit Operating Agreement by Maralo, Inc. for the Lagarto State Unit.

Please be advised that the Commissioner of Public Lands has this date granted approval to the Subsequent Joinder of Tract No. 13 located in the SE/4NE/4 Section 12, T-11-S, R-34-E, Lea County, New Mexico. As described in Section 23 of the Unit Agreement, the joinder of Maralo, Inc. will be effective December 1, 1989. Please advise all interested parties.

It is our understanding that Tract 7 is not committed to the Lagarto State Unit at this time.

If you have any questions, please do not hesitate to call Susan Howarth at (505) 827-5791.

Very truly yours,

W.R. HUMPHRIES COMMISSIONER OF PUBLIC LANDS

BY: Hayde Phoen

FLOYD O. PRANDO, Director Oil and Gas Division (505) 827-5749

COMMISSIONER OF PUBLIC LANCE!

Operator _ County Unit Name_ LACARTO STATE INIT
YATES PETROLEUM CORPORATION LEA COUNTY, NM

REVISED NOVEMBER 6, 1989

September 29, 1989	DATE APPROVED
Case No.: 9757	OCC CASE NO.
Sentember 29, 1989	EFFECTIVE
9 4409.91	TOTAL ACREAGE
4404_91	STATE
I 0 I	FEDERAL
0	INDIAN-FEE
Strict	SEGREGATIO CLAUSE
5/So lon	ON TERI

UNIT AREA

Order No.: R-9004

T-11-S, R-34-E

Section 1 : All Section 12: All Section 13: All Section 24: All

T-11-S, R-35-E

Section 6: All Section 7: All Section 18: All Section 19: Lots 1 and 2, NE/4, E/2NW/4, SE/4

.. J

TRACT 7 IS NOT COMMITTED TO THE UNIT AGREEMENT

LAGARTO STATE UNIT

REPORT TO DEPARTMENTS

REVISED NOVEMBER 6, 1989

ພ •	N.	!	Tract
T11S-R34E Sec. 24: All	T11S-R34E Sec. 13: N}, SE}	TIIS-R34E Sec. 12: NW4 S}, N\NE4, SW\NE4	Description
640.00	480.00	600.00	No. of
V-1238_1 10-1-89	V-1237 10-1-89	V-1236 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Company - 10% Abo Petroleum Corporation - 10% Myco Industries, - 10%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Working Interest Owner & Percentage
C S	C.s.	დ დ	BENEFICIA

.

ì

LAGARIO STATE UNIT REPORT TO DEPARIMENTS

REVISED NOVEMBER 6, 1989

	7 ***	ه	ن •		Tract
	Tlls-R35E Sec. 7: NEł, Sł, WłNWł	T11S-R34E Sec. 1: Lots 1-4, S}	T11S-R35E Sec. 19: Lots 1,2, NE1, E1NW1, SE1	T115-R35E Sec. 18: Lots 3, 4, Eiswi, SEi	Description
i	542.76	388.88	471.51	311.43	No. of
	V-1318-1 1-1-90	V-1611 10-1-90	V-1240 10-1-89	V-1239 10-1-89	Serial No. & Expiration Date of Lease
	State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
	Conoco Inc.	Yates Petroleum Corporation	Yates Petroleum Corp. Corporation	Yates Petroleum Corporation	Lessee of Record
	None	None	p. None	None	Overriding Royalty Owner
,	Conoco Inc 100%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Working Interest Owner & Percentage
	S:S	W U	þ.	jū	BENEFICIARY

*** THIS TRACT IS NOT COMMITTED TO THE UNIT

LAGARIO STATE UNIT

REPORT TO DEPARTMENTS

REVISED NOVEMBER 6, 1989

10.	9.	œ •	Tract
T11S-R35E Sec. 7: Ełnwł	T11S-R35E Sec. 6: SE\$SE\$	T115-R35E Sec. 18: N	Description
80.00	40.00	311.41	No. of
V-1871 7-1-91	V-1870 7-1-91	V-1833 5-1-91	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation - ' Yates Drilling Company - ' Abo Petroleum Corporation - ' Myco Industries, Company - '	Yates Petroleum Corporation - 4 Yates Drilling Company - 2 Abo Petroleum Corporation - 2 Myco Industries, Company - 2	Yates Petroleum Corporation - 7 Yates Drilling Company - 1 Abo Petroleum Corporation - 1 Myco Industries, Company - 1	Working Interest Owner & Percentage
20 % C.S	40° C.	70° C.	BENEETCTA

LAGARIO STATE UNIT

REPORT TO DEPARTMENTS

Myco Tadustrias
V-2960 State of Maralo, Inc. None Maralo, Inc.

RECAPITULATION

4,404.91 ACRES STATE OF NEW MEXICO LANDS

4,404.91 acres of State of New Mexico Lunds - 100% of Unit Area

,

MART.N YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY

TREASURER

November 13, 1989

Energy Minerals and Natural Resources Department Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504

Attention: Mr. Michael Stogner

9757

Re: Case No. 9457 Order No. R-9004 Lagarto State Unit Lea County, New Mexico

Gentlemen:

On November 7, 1989 the Commissioner of Public Lands approved the Subsequent Joinder of Maralo Inc. to the Lagarto State Unit.

Enclosed please find a copy of this approval for your records.

Very truly yours,

YATES PETROLEUM CORPORATION

Cy Cowan

Associate Landman

CC/bp

Enclosure

0 6 WH ST NON 68.

RECEIVED

State of New Mexico





Commissioner of Public Lands

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

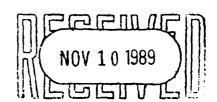
November 6, 1989

Yates Petroleum Corporation 105 South Fourth Street Hrtesia, New Mexico 85210

ATTN: Mr. Cy Cowan

RE: Lagarto State Unit

Subsequent Joinder of Tract 13



Gentlemen:

We received your letter, dated October 30, 1989, and enclosed Consent and Ratification to the Unit Agreement and Unit Operating Agreement by Maralo, Inc. for the Lagarto State Unit.

Please be advised that the Commissioner of Public Lands has this date granted approval to the Subsequent Joinder of Tract No. 13 located in the SE/4NE/4 Section 12, T-11-S, R-34-E, Lea County, New Mexico. As described in Section 23 of the Unit Agreement, the joinder of Maralo, Inc. will be effective December 1, 1989. Please advise all interested parties.

It is our understanding that Tract 7 is not committed to the Lagarto Scale Unit at this time.

If you have any questions, please do not hesitate to call Susan Howarth at (505) 827-5791.

Very truly yours,

W.R. HUMPHRIES COMMISSIONER OF PUBLIC LANDS

BY: Hoya & Theus

FLOYD O. PRANDO, Director Oil and Gas Division (505) 827-5749 COMMISSIONER OF PUBLIC LANES

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



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

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 30, 1989

Commissioner of Public Lands P. O. Box 1148 Santa Fe, New Mexico 87504-1148

Attention: Mr. Floyd Prando

Re: Lagarto State Unit

Township 11 South, Range 35 East, N.M.P.M.

Lea County, New Mexico

Gentlemen:

As required by Paragraph #23 of the Standard Form Unit Agreement for the State of New Mexico, enclosed please find one executed copy of the Consent and Ratification by Maralo Inc., P. O. Box 832, Midland, Texas, 79702 for the Lagarto State Unit.

Executed copies are also being sent to Mr. Mike Stogner at the Oil Conversation Division.

Thank you for your concern in this matter.

Very truly yours,

YATES PETROLEUM CORPORATION

Cy Cowan

Associate Landman

CC/bp

Enclosure

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986

105 SOUTH FOURTH STREET AM 10 43

ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

CHAIRMAN OF THE BOARD

JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

S P VATES

October 30, 1989

Energy Minerals and Natural Resources Department Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504

Attention: Mr. Michael Stogner

Re: Case No. 9757 Order No. R-9004 Lagarto State Unit Lea County, New Mexico

Gentlemen:

As required by Paragraph #23 of the Standard Form Unit Agreement for the State of New Mexico, enclosed please find executed Consent and Ratification by Maralo Inc., P. O. Box 832, Midland, Texas 79702 for the Lagarto State Unit.

Executed copies are also being sent to Mr. Floyd Prando, c/o the Commissioner of Public Lands.

Thank you for your concern in this matter.

Very truly yours,

YATES PETROLEUM CORPORATION

Cy Cowan

Associate Landman

CC/bp

Enclosures

CONSENT AND RATIFICATION UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

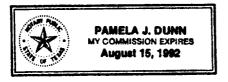
FOR THE LAGARTO STATE UNIT LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Lagarto State Unit embracing lands situated in Lea County, New Mexico, which said Agreement is dated August 1, 1989, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement and Unit Operating Agreement do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned has executed the original of said Unit Agreement and Unit Operating 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.

MAI By	RALO		ic. Îly	Rû	X	Lau	W	
	Mar	y F	Ralph	Lowe	Ņ	Preside	ent	

STAT	E OF _	TEX	XAS)												
COLIN	TY OF	ורו ול זו	2.0		:	SS											
COON	11 Or_	HARI	115		—′												
		The	fore	goi	ng .	instrum	ent			-							day
of _	Octo.	ber			_,	1989,	by	 Mary	Ralı	oh Lo	we			Presi	<u>dent</u>	-	
for	MARAL	.O II	NC.	a		exas				orpo	rat	ion,	on	beha	ılf	of	said
corp	oratio	n.															
												\sim					
Му с	ommiss	sion	expi	res:	:				` <u> </u>	<u> </u>	<u>wal</u>	<u>20 (</u>	/	1)i	in		
,	2-15-9	2							No	tarv	Pul	lic	1				



CONSENT AND RATIFICATION UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

FOR THE LAGARTO STATE UNIT LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Lagarto State Unit embracing lands situated in Lea County, New Mexico, which said Agreement is dated August 1, 1989, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement and Unit Operating Agreement do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned has executed the original of said Unit Agreement and Unit Operating 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.

By Wary Ralph Lowe, President

STAT	re of	TEXAS		_)					
	_			: ss					
COUN	TY OF	HARRIS		_)					
		The for	egoin	g instrument	was acknowled	ged before	me t	this1	<i>1th</i> day
of	Octo	ber		, 1989, by	Mary Ralph	Lowe,		Presiden	t
for	MARAL	O INC.	a _	Texas	coı	poration,	on	behalf	of said
corp	poratio	n.							
Мус		ion exp	ires:		1	amola	1	Dun	V-(
	8-15-	-92			Nota	ry Public	J		

PAMELA J. DUNN
MY COMMISSION EXPIRES
August 15, 1992



State of New Mexico Commissioner of Public Lands

#7757

W. R. Humphries COMMISSIONER

April 30, 1990

Advisory Board

George Clark
Chairman
Kristin Conniff

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

Vice Chairman Melvin Cordova

Joe Kelly

ATTN: Ms. Janet Richardson

Robert Portillos

Nancy Lynch Vigil

RE: Lagarto State Unit

Rex Wilson

1990 Plan of Development

Gentlemen:

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

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

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

Very truly yours,

W.R. HUMPHRIES, COMMISSIONER OF PUBLIC LANDS

Ilong lo Pham

BY:

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

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

WRH/FOP/SMH

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY

TREASURER

October 25, 1990

'90 OCT 29 AM 9 23

State of New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504-2088

> Re: Lagarto State Unit Lea County, New Mexico

Gentlemen:

Enclosed are revised copies of Page 2 of Exhibit "B" to the Unit Agreement and Unit Operating Agreement of the captioned unit. Please substitute these revised pages accordingly.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Mecca Mauritsen Associate Landman

Micca Maur De-

MM/bp

Enclosures

EXHIBIT "B" To Unit Operating Agreement LAGARTO STATE UNIT Lea County, New Mexico

Page -2-

Tract	У. Т. й. Н	NI S F	6. T] Se S/	7. T1
Description	T11S-R35E Sec. 18: Lots 3,4, E/2SW/4, SE/4	T11S-R35E Sec. 19: Lots 1,2, NE/4, E/2NW/4, SE/4	T11S-R34E Sec. 1: Lots 1-4 S/2	T11S-R35E Sec. 7: NE/4, S/2
No. of Acres	311.43	471.51	388.88	542.76
Serial No. Expiration Date of Lea	V-1239 10-1-89	V-1240 10-1-89	V-1611 10-1-90	V-1318
o. & ion Lease	State 16	State 1	State 16	State
Basic Royalty Owner & Percentage	e of New Mexico 16.67%	of New Mexico 16.67%	e of New Mexico 16.67%	e of New Mexico
Lessee of Record	Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Conoco Inc.
Overriding Royalty Owner Percentage	None	None	Wayne Newkumet 2.41425% Rutter & Wilbanks Corporation .91575%	None
Working Interest Owners & Percentage	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Yates Petroleum Corporation Yates Drilling Yates Drilling Company Abo Petroleum Corporation Myco Industries.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Conoco, Inc.
est 1tage	- 70% - 10% - 10%	- 10% - 10%	- 70% - 10% - 10%	100%

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

Page -2-

7.	6.	ຸ ຫ •		Tract
T11S-R35E Sec. 7: NE/4, S/2 W/2NW/4	T11S-R34E Sec. 1: Lots 1-4 S/2	T11S-R35E Sec. 19: Lots 1,2, NE/4, E/2NW/4, SE/4	T11S-R35E Sec. 18: Lots 3,4, E/2SW/4, SE/4	Description
542.76	388. 88	471.51	311.43	No. of
V-1318 1-1-90	V-1611 10-1-90	V-1240 10-1-89	V-1239 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.67%	State of New Mexico 16.67%	State of New Mexico 16.67%	State of New Mexico 16.67%	Basic Royalty Owner & Percentage
Conoco Inc.	Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	Wayne Newkumet 2.41425% Rutter & Wilbanks Corporation .91575%	None	None	Overriding Royalty Owner Percentage
Conoco, Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries. Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Working Interest Owners & Percentage
- 100%	- 70% - 10% - 10%	- 10% - 10%	- 70% - 10% - 10%	(D

Cuse 9757

.

ILLEGIBLE





State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

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

1757

January 29, 1992

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

Attn: Ms. Mecca Mauritsen

Re: Lagarto State Unit Well No. 3

Commercial Determination Lea County, New Mexico

Dear Ms. Mauritsen:

This office is in receipt of your letter of July 11, 1991, together with an engineering report showing that the Lagarto State Unit Well No. 3 is a commercial producer.

According to the data submitted, the Commissioner of Public Lands concurs with your determination that the Lagarto State Unit Well No. 3 is a commercial producer in the Sand Springs Atoka pool.

Pursuant to Section 9 of the unit agreement, please submit a Plan of Development for the period of January 1, through December 31, 1992. The Plan of Development shall contain a current unit map showing all existing wells and their status together with decline curves and/or production data in statistical form for the 1991 calendar year. These plans should also include a summary of the anticipated unit activity for 1992 including the wells to be drilled, worked over or shut-in.

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS
BY Y Y Y
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File

On Significant of the part

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



105 SOUTH FOURTH STREET

ARTESIA, NEW MESTED 8210 OFFICE

TELEPHONE (505) 74854NTA FE. N.M.

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

July 11, 1991

Commissioner of Public Lands P.O. Box 1148 Santa Fe, New Mexico 87504-1148

Attention:

Mr. Floyd O. Prando

Re:

Lagarto State Unit #3 Commerical Determination Lea County, New Mexico

Gentlemen:

Enclosed, in triplicate, is our engineering report showing that the Lagarto State Unit #3 Well is a commercial producer.

Please examine the enclosed material and let us know if you concur with our evaluation.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Meca Mauriten

Mecca Mauritsen Associate Landman

MM:blf Enclosures July 10, 1991

RECEIVED
'S1 JUL 17 AM 8 34
STATE LAND OFFICE
SANTA FE. N.M.

TO:

Mecca Mauritsen

FROM:

Dave Boneau Dave Boneau

SUBJECT: Lagarto State Unit #3

The Lagarto State Unit #3 is a commercial gas producer in the Sand Springs Atoka pool. Ultimate reserves of about 720 MMcf will yield a 100⁺ percent rate of return on the actual investment of \$297,000. Undiscounted profit will be about \$527,000.

The Lagarto State Unit #3 is a reentry of an old Devonian oil well. Sinclair Oil and Gas spudded the Lea State 840 #1 on June 19, 1957, at a location 660 FSL and 660 FWL of Section 1-11S-34E in Lea County, New Mexico. The well was drilled to a total depth of 13206 feet and completed on November 23, 1957, as a Devonian oil producer with initial potential of 198 BOPD. The Lea State 840 #1 produced 16,130 BO from the Sand Springs Devonian oil pool before it was plugged and abandoned in 1959. Yates reentered the well on July 7, 1990, and cleaned out the hole to a depth of 12,800 feet. Production casing was spliced onto the 5 1/2-inch stub at 4810 feet and cemented with 250 sacks. Yates also squeezed cement behind the old 5 1/2-inch casing across the Atoka and adjacent zones. The Atoka was perforated at 11,881-11,887 and acidized with 2000 gallons plus nitrogen. 3, 1990, the well was completed with initial potential of 1300 Mcf/D from the Sand Springs Atoka gas pool.

The Lagarto State Unit #3 began producing into the pipeline in September of 1990. Through January of 1991, the well produced 106,639 Mcf along with 2795 BO and 230 BW. The average rate during the five-month period was 697 Mcf/D, 18 BOPD and 1.5 BWPD on a calendar-day basis. Since January, production from the well has been restricted to about three days per month because of depressed prices for gas. Attachment 1 is a table listing the production history of the Lagarto State Unit #3. Attachment 2 is a plot of monthly gas and oil production form the Lagarto State Unit #3. I forecast future declines of 30 percent per year for gas and 35 percent per year for oil

I have two arguments supporting a decline rate of about 30 percent per year for the gas. The first argument says that the gas decline rate for the other well in the Sand Springs Atoka pool -- the Yates Tenneco ADP State Com #1 in Unit P of Section 2 in Township 11S, Range 34E -- is 22 percent per year so that a somewhat steeper decline is believable for the newer well. The second argument is based on a plot of $\Delta P/Q$ versus cumulative gas production. Analysis of this plot is called the Valero $\Delta P/Q$ method where ΔP = Initial WHSIP - Wellhead

Flowing Pressure at time t and Q = Daily Producing Rate at time t. Attachment 3 is a table listing the values that go into the $\Delta P/Q$ calculation and Attachment 4 is the plot of $\Delta P/Q$ versus cumulative production for the Lagarto State Unit #3. Initially, the well cleaned up as $\Delta P/Q$ dropped and then levelled off. An extrapolation of the rise in $\Delta P/Q$ after cumulative production of about 100 MMcf predicts total recoverable reserves of about 715 MMcf as shown in Attachment 4. This is the same magnitude of reserves indicated by a 30-percent-peryear decline in gas production.

Now that we have reason to believe the production forecast in Attachment 2, we can calculate the economics for the Lagarto State Unit #3. The economic parameters used in the calculation are:

- 1. Drilling date = 9-1-90
- 2. Evaluation date = 9-1-90
- 3. Drilling and completion costs = \$297,000 (actual)
- 4. Gas production = 111230 Mcf up to 5-1-91 and 30 percent decline from 660 Mcf/D thereafter
- 5. Oil production = 2922 BO up to 5-1-90 and 35 percent decline from 16 BOPD thereafter
- 6. Working interest = 1.0
- 7. Net revenue interest = 0.836127 (actual)
- 8. Gas price = \$1.88 per Mcf up to 5-1-91 (actual) \$1.38 per Mcf thereafter
- 9. Oil price = \$19 per BO
- 10. Operating costs = \$2191 per month (actual)
- 11. Production taxes = 8.1 percent of revenue (actual)
- 12. Ad valorem taxes = 2.116 percent of revenue (actual)

Attachment 5 is a cash-flow analysis showing the results of the economic calculations. The Lagarto State Unit #3 will payout in late 1991 and yield a rate of return equal to 113 percent on the investment of \$297,000. Total profit should be \$527,000 from produced reserves of 724 MMcf. The Lagarto State Unit #3 is clearly a commercial well.

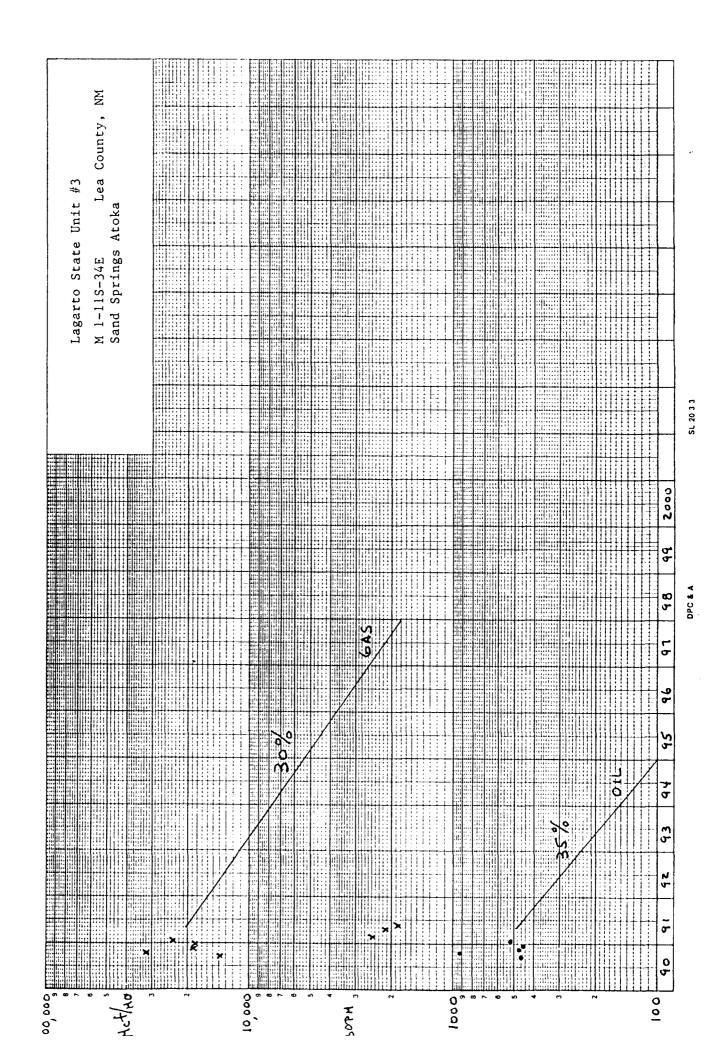
DFB/cvg

Attachments

xc: Mike Slater
Pinson McWhorter
Theresa Padilla
Tina Huerta

LAGARTO STATE UNIT #3 .M 1-11S-34E SAND SPRINGS ATOKA

CUM BW	137	176	196	213	230	232	232	235	238
CUM BO	460	1374	1838	2280	2795	2848	2848	2922	2999
CUM Mcf	13874	45793	64626	82853	106639	109121	109121	111230	113043
DAYS PRODUCED	17	31	23	25	30	m	0	4	က
BW	137	39	20	17	17	7	0	m	9
ВО	460	914	464	442	515	53	0	74	77
Mcf	13874	31919	18833	18227	23786	2482	0	2109	1813
MONTH					JAN 91				



\RESERVES\LAGARTO3

VALERO P/Q METHOD

WELL NAME: LAGARTO STATE UNIT #3
WHSIP = 2188 on 8-6-90

DATE	SPOT WHFTP	SPOT RATE	CUM PROD MMcf	SPOT DelP/Q (psi/Mcf)
	980	8172674566333380196919333401362103404456150192089536622902258 1000313140131004456150192089536622902258		1.416 11.35553 1.991358 1.991358 1.6689 1.5512986 1.551299979979 1.1329722709979 1.132911.000874 1.00055974238 1.000599963 1.00059963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.00099963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.0009963 1.000
11/09/90	1600	0	56.260	1.087

\RESERVES\LAGARTO3

VALERO P/Q METHOD

WELL NAME: LAGARTO STATE UNIT #3
WHSIP = 2188 on 8-6-90

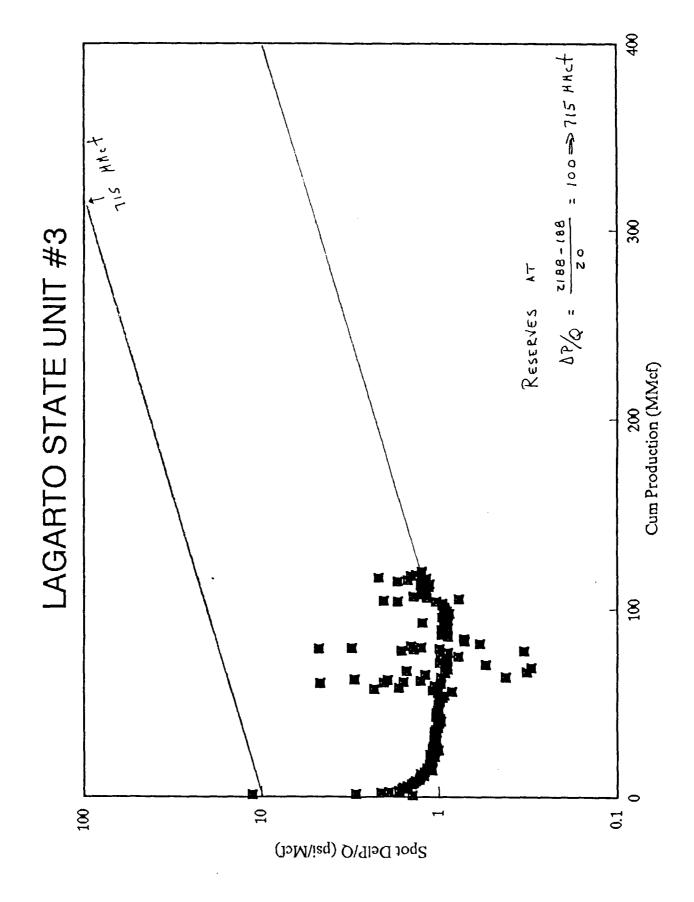
DATE	SPOT WHFTP	SPOT RATE	CUM PROD MMcf	SPOT DelP/Q (psi/Mcf)
DATE	SPOT WHFTP 18000 200250		MM6600000051935625258149100567773151112555988888888888888885199025-5566.2660000051935625258149100567773151112555988888888885199025-55666666666666666666666666666777777777	(psi/Mcf) 2.3688 0.9756 2.6897 2.6589 0.9679 2.65893 1.0989 0.100899 1.2288 0.95948 0.95948 0.97889 0.9891 1.997753 1.997753 1.997753 1.997753 1.997753
01/03/91 01/04/91 01/05/91 01/06/91	1200 1220 1250 1250	1018 1000 1056 1045	86.574 87.592 88.592 89.648 90.693	0.971 0.968 0.888 0.898

\RESERVES\LAGARTO3

VALERO P/Q METHOD

WELL NAME: LAGARTO STATE UNIT #3 WHSIP = 2188 on 8-6-90

DATE	SPOT	WHFTP	SPOT RATE Mcf/D	CUM PROD MMcf	SPOT DelP/Q (psi/Mcf)
DATE 01/07/91 01/08/91 01/09/91 01/11/91 01/12/91 01/15/91 01/16/91 01/16/91 01/18/91 01/29/91 01/23/91 01/23/91 01/25/91 01/25/91 01/25/91 01/26/91 01/28/91 01/29/91	SPOT	1500 1225 1250 1250 1255 1240 1215 12210 12220 12200 12900 1390 1390 1390 1200 1200 1200	767 779 1001 1004 10001 1067 1084 1070 1039 1045 1029 1004 946 168 0 388 1031 680 672 790 801 814	91.460 92.239 93.240 94.244 95.312 97.396 98.466 99.5550 101.579 103.5297 103.6977 104.085 105.116 105.468 107.2059 108.873	(psi/Mcf) 0.897 1.236 0.937 0.934 0.962 0.888 0.875 0.909 0.927 0.936 0.964 1.714 2.057 0.774 1.174 1.396 1.251 1.233 1.214
01/29/91 01/30/91 01/31/91 02/01/91 02/02/91 04/01/91 04/03/91 05/29/91 05/30/91 05/31/91 06/01/91 06/02/91		1200 1200 1200 1200 1200 1100 1050 11050 1125 1250	810 833 868 778 872 855 578 756 921 520 790 750	109.683 110.516 111.384 112.162 113.034 113.889 114.467 115.223 116.664 117.454 118.244 118.994 119.744	1.220 1.186 1.138 1.270 1.133 1.273 1.709 1.505 1.181 2.188 1.346 1.251



Attachment 5

LABARIO STATE UNIT #3 YPC _F=816 SAND SPRINGS, ATOKA P=28 ATOKA M 1-115-34E LEA NN DATE: 07/10/91 TIME: 14:38.57 FILE: LAGARTO GET#: 3

RESERVES AND ECONOMICS

YPC OPERATED

ENG: DF8 TECH: TH

AS OF SEPTEMBER 1, 1990

N/A 35565-03-0

						, 32, 1		.,,,		00000 00	v	
MO-YR	GROSS PR OIL, MEBL				OIL	CES GAS \$/M	OF NET OPER REVENUES	SEV+ADV+	M\$ NET OPER EXPENSES	CAPITAL COSTS, M\$	CASH FLON BTAX, M\$	15.00 PCT CUM. DISC BTAX, M\$
12-90	1.451	55.615	1.222	46,501	19.00	1.88	110.640	11.114	8.764	297.000	-206.238	-208.320
4-91	1.461	55.615	1.222	46.501			110.407	11.090	8.764	.000	90.553	-123.871
12-91	3.384	142.934	2.829	119.511			218.676	21.966	17.528	.000	179.182	31.996
12-92	3.561	159.741	2.977	133.564			240.881	24.197	26.292		190.392	179.472
12-93	2.314	111.819	1.935	93,495			165.788	16.653	26.292	.000	122.843	262.214
12-94	1.504	78.273	1.258	65.446	19.00	1.38	114.217	11.473	26.292	.000	76.452	306.992
12-95	.978	54.792	.819	45.813	19.00	1.38	78.754	7.912	25.292	.000	44.560	329.687
12-98	.635	38.353	.531	32.068	19.00	1.38	54.343	5.459	26.292	.000	22.592	339.592
12-97 12-98	.333	26.848	.278	22.448	19.00	1.38	36.260			.000	6.326	342.128
12-99												
12- 0												
17- 1												
12- 2												
12- 3												
12- 4												
12- 5												
12- 5												
12- 7												
12- 3												
s tot	15.631	723.990	13.070	605.347	19.00	1.46	1129,976	113.506	192.808	297.000	526.662	342.128
REM.	.000	.000	.000	.000	.00	.00	.000	.000	,000	.000	.000	342.128
TOTAL	15.631	723,990	13.070	605.347	19.00	1.46	1129.976	113.506	192.808	297.000	526.662	342.128
cum.	.000	.000		NET DIL	REVENU	ES (M\$))	248.330		PRESENT	ORTH PROFI	LE
				NET GAS	REVENUE	ES (M\$))	881.646		PW OF NET	DISC	PW OF NET
ULT.	15.531	723.990		TOTAL	REVENU	ES (M≸))	1129.976	RATE	BTAX, M\$	RATE	BTAX, M\$
	ATE OF RETU	RN (PCT)	112.96					7.333	.0	526.662	80.0	54.172
	PAYOUT YEARS		1.10					15.000		453.318		34.842
	PAYOUT YEARS		1.20					.000		392.791		18.216
	NET INCOME/II		2.77			5		1.000		342.128	110.0	3.754
RIAL	MET INCOME/II	HVEST (DISC)	2.15	GROSS WE	LLS			1 .0 00		299.192		-8.944
****	A) () # FR	7 (0.1)		******	NET AT					230.551	140.0	-30.229
	AL W.I. FRAC		1.000000					.836127		178.265		-47.388
	W.I. FRAC		1.000000		NET OIL			.836127		137.199	180.0	-61.545
	CTION START !		9- 1-90					.836127		104,124		-73.447
nertit)	S IN FIRST L	INC	4.00	FINAL	NET GA	o FRAL	HIUN	.836127	70.0	76.930	250.0	-96.361

RECEIVED

TC1 JUL 17 RM 8 34

STATE LAND OFFICE SANTA FE. N. M.



¥ 9757

State of New Mexico Commissioner of Public Cands

RAY POWELL, M.S., D.V.M. COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148 (505) 827-5760 FAX (505) 827-5766

October 3, 1994

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

Attn: Ms. Mecca Mauritsen

Re: Voluntary Termination

Lagarto State Unit

Lea County, New Mexico

Dear Ms. Mauritsen:

This office is in receipt of your letter of September 23, 1994, wherein as unit operator of the Lagarto State Unit, Lea County, New Mexico, you have requested our approval to voluntarily terminate the Lagarto State Unit. Also attached with your termination request are executed counter-parts of over seventy five percent (75%) of the unit working interest owners.

Pursuant to Section 17. <u>EFFECTIVE DATE AND TERM:</u> of the unit agreement, please be advised that the Lagarto State Unit Agreement has this date been terminated effective September 23, 1994.

Please advise the New Mexico Oil Conservation Division and all other interested parties of this action.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.

icoeple Now

COMMISSIONER OF PUBLIC LANDS

BY:

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

RP/FOP/pm

cc: Reader File

OCD-Santa Fe Attn: Roy Johnson TRD-Santa Fe, Attn: Mike Holden

Operator County Unit Name_ YATES PETROLEUM CORPORATION LEA COUNTY, NM

September 29, 1989 APPROVED

DATE

Case No.: 9757 Order No.: R-9004

OCC CASE NO.

September 29, 1989 EFFECTIVE DATE

4401.91

TOTAL ACREAGE

4404.91

STATE

-0-

FEDERAL

INDIAN-FEE

SEGREGATION

TERM

6

Strict

5/So long

REVISED NOVEMBER 6, 1989

EFFECTIVE DATE 4/23/14 TERMINATED

· 有多 生态 (100 m) (100 APPROVAL DATE 10/3/94

Section 1 : All Section 12: All Section 13: All Section 24: All

T-11-S, R-34-E

UNIT AREA

TRACT 7 IS NOT COMMITTED TO THE UNIT AGREEMENT

Section 6 : All Section 7 : All Section 18: All Section 19: Lots 1 and 2, NE/4, E/2NW/4, SE/4

T-11-S, R-35-E

REPORT TO DEPARIMENTS

•		2.		1.	Tract
T11S-R34E Sec. 24: All		T115-R34E Sec. 13: N½, SE½		T115~R34E Sec. 12: NWł Sł, NłNEł, SWłNEł	Description
640.00		480.00		600.00	No. of
V-1238_1 10-1-89		V-1237 10-1-89		V-1236 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	- - -	State of New Mexico		State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation		Yates Petroleum Corporation		Yates Petroleum Corporation	Lessee of Record
None		None		None	Overriding Royalty Owner Percentage
Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Company - 10% Abo Petroleum Corporation - 10% Myco Industries, - 10%	Yates Drilling - 10% Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum - 70%	Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10%	Working Interest Owner & Percentage
<u> </u>		C.S		i C	BENEFIC

£s.

C.S.

ω BENEFICIARY

Page 2

LAGARTO STATE UNIT REPORT TO DEPARTMENTS

REVISED NOVEMBER 6, 1989

7 ***	o,	ហ •		Pract
T11S-R35E Sec. 7: NE\$, S\$,	T115-R34E Sec. 1: Lots 1-4, S}	T115-R35E Sec. 19: Lots 1,2, NE4, E}NW4, SE4	T115-R35E Sec. 18: Lots 3, 4, Ełswł, SEł	Description
542.76	88 88 88	471.51	311.43	No. of
V-1318-1 1-1-90	v-1611 10-1-90	V-1240 10-1-89	V-1239 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6*	State of New Mexico 16.6%	Basic Royalty Owner & Percentage Les
Conoco Inc.	Yates Petroleum Corporation	Yates Petroleum Corp. Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	. None	None	Overriding Wo Royalty Owner Wo Percentage Own
Conoco Inc 100	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Abo Petroleum Corporation - 10% Myco Industries, - 10%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Abo Petroleum Corporation - 10% Myco Industries, - 10%	Yates Petroleum - 70% Corporation - 70% Yates Drilling - 10% Abo Petroleum Corporation - 10% Myco Industries, - 10%	Working Interest
100% C.S.	S S S S S S S S S S S S S S S S S S S	n is	O. is.	BENEFICIARY

*** THIS TRACT IS NOT COMMITTED TO THE UNIT

LAGARIO STATE UNIT

REPORT TO DEPARTMENTS

REVISED NOVEMBER 6, 1989

10.	ن ,	æ •	Tract
T115-R35E Sec. 7: Elnwi	T11S-R35E Sec. 6: SE\SE\	T11S-R35E Sec. 18: N	Description
80.00	40.00	311.41	No. of
V-1871 7-1-91	V-1870 7-1-91	V-1833 5-1-91	Serial No. & Expiration Date of Lease
State of New Mexico 16.6%	State of New Mexico 16.6%	State of New Mexico 16.6%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Company	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Company	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Company	Working Interest Owner & Percentage
20% 20%	20% 20% 20%	C.S. 70% 10% 10% 10%	BENEFICIAF

LAGARIO STATE UNIT

REPORT TO DEPARTMENTS

ω ·	, ,		70 a c	
T11S-R34E Sec. 12: SE\NE\	T115-R34E Sec. 13: Swł	T11S-R35E Sec. 6: Lots 1-6, E1SW1, N1SE1, SW1SE1	Description	
40.00	160.00	338.92 \$SE\$	No. of	
V-2960 4-1-94	VB-263 8-1-93	LH-882 12-1-91	Serial No. & Expiration	
State of New Mexico 16.6%	State of New Mexico 18.75%	State of New Mexico 12.5%	Basic Royalty Owner & Percentage	REPORT TO DEPARTMENTS
Maralo, Inc.	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record	ENIS
None	None	No n e	Overriding Royalty Owner Percentage	
Maralo, Inc 10	Yates Petroleum Corporation - 4 Yates Drilling Company Abo Petroleum Corporation - 2 Myco Industries, Company - 2	Yates Petroleum - 100%	Working Interest Owner & Percentage	
- 100% C.S.	40% C.S. 20% 20%	CS	BENEFICI	ARY

RECAPITULATION

TOTAL 4,404.91 ACRES STATE OF NEW MEXICO LANDS

4,404.91 acres of State of New Mexico Lands - 100% of Unit Area

R 34 E R 35 E Yates Pet. V-1611 10-1-90 Yates Pet, LH-882 12-1-91 Yates Pet. V-1236 10-1-89 (10) Maraio, inc. V-2960 4-1-94 → V-1318 T 1-1-90 11 Yates Pet. Yates Pet. V-1833 V-1237 10-1-89 S 5-1-91 (8) Yates Pet. 1 VB-263 8-1-93 Yates Pet V-1239 (4) (12) 10-1-89 24 TERMINATED EFFECTIVE DATE 9/13/94 Yates Pet. Yates Pet. V-1240 V-1238 APPROVAL DATE 13/3/94 10-1-89 10-1-89 (5) (3)

YATES PETROLEUM CORP. LAGARTO STATE UNIT

Lea County, New Mexico

Exhibit "A"

4404.91 acres of State of New Mexico Lands - 100% of Unit Area

Scale: 1" = 4000"

Tract # - (30)

STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

October 3, 1989

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87504 (505) 827-5800

Mr. David Fandiver
Fisk & Vandiver
Attorneys at Law
Seventh & Mahone, Suite E
Artesia, New Mexico 88210

Re: CASE NO. 9757 ORDER NO.R-9004

Applicant:

Yates Petroleum Corporation

Dear Sir:

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

Sincerely,

FLORENE DAVIDSON OC Staff Specialist

Florene Clavidson

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

Other____

11

S

20

T. M. Beall

8 · 1 · 93 LH · 2587 68 75

8 · 1 · 93 LH · 2586 84 44

8-20-88

Called in by blaved Vandiver

8/30/89

From

FLORENE DAVIDSON
OC Staff Specialist To September 20, 1989 Unit Agreement Jates Petroleum Corporation Lagarto State Unit Sections 1,12, 13, 24 TIIS, R34E Sections 6, 7, 18, 19 TIIS-R35E Lea County 4,404.91 acrus State land

STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

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

APPLICATION OF YATES PETROLEUM CORPORATION FOR A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

CASE NO. 9757
Order No. R-9004

68 9/2 6

No. 8 9/26

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 20, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of September, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Yates Petroleum Corporation, seeks approval of the Lagarto State Unit Agreement for all oil and gas in any and all formations underlying the following described 4,404.91 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM Sections 1; 12 a Eats, 1, 2, 3 and 4, and S/2 /2//
Sections 12 and 13: All Section 24: All

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM Section 6: Lots 1 through 6, E/2 SW/4, and SE/4 8//

المراقق Section 18: All

Section 19: Lots 1 and 2, NE/4, E/2 NW/4, and SE/4

- (3) No interested party appeared and objected to the proposed unit agreement.
- (4) 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.
- (5) 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 THAT:

(1) The Lagarto State Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 4,404.91 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM
Sections 12, Lots 1, 2, 3 and 4, and 5/2
Sections 12 and 13: All
Section 24: All

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM

Section 6: Lots 1 through 6, E/2 SW/4, and SE/4

Section 18: All

Section 19: Lots 1 and 2, NE/4, E/2 NW/4, and

SE/4

- (2) 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) 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; 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) 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) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon the termination of said unit agreement; the last unit operator shall notify the Division immediately in writing of such termination.
- (6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY Director

SEAL

FISK & VANDIVER

ATTORNEYS AT LAW
SEVENTH & MAHONE / SUITE E
ARTESIA, NEW MEXICO 88210

OIL CONSERVATION DIVISION RECEIVED

(505) 746-9841

'89 OCT 17 AM 9 18

(505) 746-4208

October 16, 1989

Catanach

Energy, Minerals and Natural
Resources Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 9757
Order No. R-9004
Lagarto State Unit
Lea County, New Mexico

SV

Gentlemen:

JOHN FISK DAVID R. VANDIVER

Enclosed for filing is an executed counterpart of the Unit Agreement for the Development and Operation of the Lagarto State Unit Area, Lea County, New Mexico, as required by Order No. R-9004 entered in Case No. 9757. Also enclosed is a copy of the Certificate of Approval dated September 29, 1989, whereby the Commissioner of Public Lands approved the Unit Agreement.

Please contact me if you require anything further in connection with this matter.

Thank you.

Very truly yours,

FISK & VANDIVER

David R. Vandiver

DRV:pvw Enclosures

cc w/enclosure: Mr. Cy Cowan



52734 NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

LAGARIO STATE UNIT LEA COUNTY, NM

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 August 1 1989 , 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.

> COMMISSIONER OF PUBLIC LANDS of the State of New Mexico

0G-26

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

LAGARTO STATE UNIT
LEA COUNTY, NEW MEXICO

NO.	

STATE	31 C	
3 €	C .:	
<u> </u>	# (5)	
i. i	₹. ₽	יבי
. 5	<u> </u>	

THIS AGREEMENT, entered into as of the 1st day of August,1989 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

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

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

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

WHEREAS, the parties hereto hold sufficient interests in the Lagarto

State Unit Area covering the land hereinafter described to give reasonably

effective control of operations therein; and

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

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

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

Township 11 South, Range 34 East, N.M.P.M.

Section 1: Lots 1,2,3,4, S½

Section 12: All

Section 13: All

Section 24: All

Township 11 South, Range 35 East, N.M.P.M.

Section 6: Lots 1,2,3,4,5,6, E½SW¼, SE¼

Section 7: All

Section 18: All

Section 19: Lots 1, 2, NE¼, E½NW¼, SE¼

Containing 4404.91 acres, more or less

Lea County, New Mexico

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

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

- 2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".
- 3. UNIT OPERATOR: Yates Petroleum Corporation, whose address is 105 South Fourth Street, Artesia, New Mexico 88210 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.
- 4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

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

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all

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

- 6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.
- 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

MISC 518 PAGE 218

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the top of the Atoka 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 11,600 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the cost of drilling and producing operations with a resonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

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

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

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

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

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

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

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

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits

accuring under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

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

- 11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.
- 12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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

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

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

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

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

The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to confrom the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement,

WISC 518 PAGE 222

completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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

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

- 15. <u>DRAINAGE</u>: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.
- 16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be convenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.
- approval by the Commissioner and the Division and shall terminate in <u>five (5)</u> years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.
- 18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with applicable laws and lawful regulations.
- 19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any

proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the rights at his own expense to appear and to participate in any such proceeding.

- 20. <u>NOTICES:</u> All notices, demands or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.
- 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement, shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary material in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.
- 22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute in finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.
- 23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the

owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

YATES PETROLEUM CORPORATION (OPERATOR)

Date: August 1, 1989

Attorney-in-Fact

STATE OF NEW MEXICO)

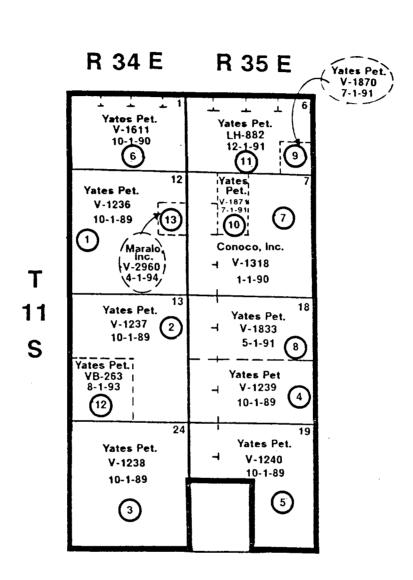
: ss

COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this lst day of August, by John A. Yates, Attorney-in-Fact for YATES PETROLEUM CORPORATION, a New exist corporation on behalf of said corporation.

My Commission expires: August 28, 1991

Notary Public



the reason could be interpreted by the least of the control of the profit to be the control of the the control of the control

YATES PETROLEUM CORP. LAGARTO STATE UNIT

Lea County, New Mexico

Exhibit "A"

4404.91 acres of State of New Mexico Lands - 100% of Unit Area

Scale: 1" = 4000"

Tract # - (30)

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

		*15c 5 3	18 PAGE 22
ω •	∾		Tract
T115-R34E Sec. 24: All	T115-R34E Sec. 13: N}, SE4	T115-R34E Sec. 12: NWt SI, N}NEt, SW4NEt	Description
640.00	480.00	600.00	No. of
V-1238 10-1-89	V-1237 10-1-89	V-1236 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico 16.67%	State of New Mexico 16.67%	State of New Mexico 16.67%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation - 70% Yates Drilling Company Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Inc 10%	Working Interest Owner & Percentage

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

	MISC 518 PAGE	228		
7.	٠ •	ა •	•	Tract
T11S-R35E Sec. 7: NE1, S1, Winwi	T11S-R34E Sec. 1: Lots 1-4, S}	T11S-R35E Sec. 19: Lots 1,2, NE4, E1NW1, SE1	T115-R35E Sec. 18: Lots 3, 4, Elswa, SE4	Description
542.76	388. 88	471.51	311.43	No. of
V-1318 1-1-90	V-1611 10-1-90	V-1240 10-1-89	V-1239 10-1-89	Serial No. & Expiration Date of Lease
State of New Mexico	State of New Mexico 16.67%	State of New Mexico 16.67%	State of New Mexico 16.67%	Basic Royalty Owner & Percentage
Conoco Inc.	Yates Petroleum Corporation	Yates Petroleum Corp. Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	Sp. None	None	Overriding Royalty Owner Percentage
Conoco Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	Working Interest
100	- 7(- 1(- 1)	- 709 - 109	- 70°	s t ge

MISC 518 PAGE 229

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

Page 3

		-12 €	518 PAGE
10.	φ •	æ •	Tract
T11S-R35E Sec. 7: E3NW4	T11S-R35E Sec. 6; SEASEA	T118-R35E Sec. 18: N}	Description
80.00	40.00	311.41	No. of
V-1871 7-1-91	V-1870 7-1-91	V-1833 5-1-91	Serial No. & Expiration Date of Lease
State of New Mexico 16.67%	State of New Mexico 16.67%	State of New Mexico 16.67%	Basic Royalty Owner & Percentage
Yates Petroleum Corporation	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
None	None	None	Overriding Royalty Owner Percentage
Yates Petroleum Corporation - 40% Yates Drilling Company - 20% Abo Petroleum Corporation - 20% Myco Industries, Company - 20%	Yates Petroleum Corporation - 40% Yates Drilling Company - 20% Abo Petroleum Corporation - 20% Myco Industries, Company - 20%	Yates Petroleum Corporation - 70% Yates Drilling Company - 10% Abo Petroleum Corporation - 10% Myco Industries, Company - 10%	Working Interest Owner & Percentage

Page 4

20 219 LHAE	230			
		12.	11.	Tract
TOTAL	T11S-R34E Sec. 12: SEINEI	T118-R34E Sec. 13: SW2	T11S-R35E Sec. 6: Lots 1-6, E}SW4, N}SE4, SW4	Description
4,404.91 A	40.00	160.00	338.92 SE4	No. of
CRES STATE OF NEW	V-2960 4-1-94	VB-263 8-1-93	LH-882 12-1-91	Serial No. & Expiration Date of Lease
MEXICO LANDS	State of New Mexico 16.67%	State of New Mexico 18.75%	State of New Mexico 12.5%	Basic Royalty Owner & Percentage
	Maralo, Inc.	Yates Petroleum Corporation	Yates Petroleum Corporation	Lessee of Record
	None	None	None	Overriding Royalty Owner Percentage
	Maralo, Inc.	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Company	Yates Petroleum Corporation	Working Interest Owner & Percentage
	- 100%	1	100%	8 t

RECAPITULATION

4,404.91 acres of State of New Mexico Lands - 100% of Unit Area

CONSENT AND RATIFICATION UNIT AGREEMENT AND UNIT OPERATING AGREEMENT FOR THE LAGARTO STATE UNIT LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Lagarto State Unit embracing lands situated in Lea County, New Mexico, which said Agreement is dated August 1, 1989, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement and Unit Operating Agreement do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned has executed the original of said Unit Agreement and Unit Operating 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.

YATES DRILLING COMPANY

By Mttorney-in-Pact

STATE OF NEW MEXICO)

: ss

COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 22nd day of September , 1989, by Peyton Yates , Attorney-in-Fact for VATES DRILLING COMPANY, a New Mexico company, on behalf of said company.

My commission expires:

August 28, 1991

Notary Public

MISC 518 PAGE 232

CONSENT AND RATIFICATION UNIT AGREEMENT AND UNIT OPERATING AGREEMENT FOR THE LAGARTO STATE UNIT LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Lagarto State Unit embracing lands situated in Lea County, New Mexico, which said Agreement is dated August 1, 1989, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement and Unit Operating Agreement do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned has executed the original of said Unit Agreement and Unit Operating 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.

ABO PETROLEUM CORPORATION

By Attorney in-Fact

STATE OF NEW MEXICO)

: ss

COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 22nd day of September , 1989, by John A. Yates , Attorney-in-Fact for ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:

August 28, 1991

Notary Public

CONSENT AND RATIFICATION UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

FOR THE LAGARTO STATE UNIT LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Lagarto State Unit embracing lands situated in Lea County, New Mexico, which said Agreement is dated August 1, 1989, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement and Unit Operating Agreement do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned has executed the original of said Unit Agreement and Unit Operating 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.

MYCO INDUSTRIES, INC.

By Frank 11. 1

Artorney-in-

STATE OF NEW MEXICO)

COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 22nd day of September , 1989, by Frank W. Yates, Jr., Attorney-in-Fact for MYCO , TNDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:

Notary Public

STATE OF NEW MEXICO COUNTY OF LEA FILED

OCT 4 1989

52734