

Submit 3 Copies To Appropriate District  
Office  
District I  
1625 N French Dr., Hobbs, NM 87240  
District II  
1301 W. Grand Ave., Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
June 19, 2008

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO. 30-015-02291
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: State 648 (proposed EMU #167 see below)
8. Well Number 167
9. OGRID Number 019958
10. Pool name or Wildcat E Millman Y-SR-Q-G-SA

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A  
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH  
PROPOSALS.)

1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	DEC 18 2008 OCD-ARTESIA
2. Name of Operator Stephens & Johnson Operating Co	
3. Address of Operator P O Box 2249	
4. Well Location Unit Letter <u>A</u> : <u>760</u> feet from the <u>North</u> line and <u>660</u> feet from the <u>East</u> line Section <u>22</u> Township <u>19S</u> Range <u>28E</u> NMPM County <u>Eddy</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	

12. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐  
DOWNHOLE COMMINGLE ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: change well name ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Please be advised that this well is included in the EMU Consolidation Agreement (see attached); however, the lease/well name was never changed to reflect the consolidation. We would like to change the well name to: East Millman Unit No. 167

Note: Stephens & Johnson Operating Co. (019958) acquired this well effective Nov 1, 2008 from Ameristate Petroleum.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Devire D Crabb TITLE Production Analyst DATE 12-15-2008  
Type or print name Devire D Crabb E-mail address: dcrabb@sjoc.net PHONE 940-716-5376

For State Use Only

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
Conditions of Approval (if any):

Accepted for record - NMOCD

LEASE CONSOLIDATION  
AND POOLING AGREEMENT

THIS AGREEMENT, made and entered into by and between the parties subscribing hereto, such parties ing hereinafter referred to as "parties hereto",

WITNESSETH:

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, is authorized by an act of the legislature (Chap. 88, Sec. 1, Laws 1943, as Amended, or Sec. 7-11-39, NMSA, 1953 Comp. as Amended) to consent to and approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico, by its Order No. R-2405 in Case No. 2656, authorized the institution of a secondary recovery project in the East Millman Queen-Grayburg Field, Eddy County, New Mexico, by the injection of water into the Queen and Grayburg Formations through 13 injection wells located in Sections 14, 15, 22 and 23, Township 19-South, Range 28 East, N.M.P.M., Eddy County, New Mexico; and that said Order is by reference made a part hereof; and

WHEREAS, the parties hereto are all of the owners of royalty interests, overriding royalty interests, production payment interests and working interests in the lands covered by this agreement, included within the said project area and described as follows:

RECEIVED  
APR 24 6 23 PM '63  
STATE OF NEW MEXICO  
OFFICE OF THE COMMISSIONER OF PUBLIC LANDS

Township 19 South, Range 28 East, N.M.P.M.

Section 11: E/2 SW/4, SW/4 SW/4  
Section 14: All  
Section 15: E/2 SW/4, S/2 NE/4,  
NE/4 NE/4, SE/4  
Section 22: NE/4  
Section 23: N/2 NW/4, SW/4 NW/4

APR 24 8 23 AM '63  
RECEIVED  
ST. LOUIS, MO.  
F. H. H.

and containing 1400 acres, more or less,

and this agreement shall only include the Queen and Grayburg Formations underlying the above described lands under the terms of the outstanding and existing oil and gas leases, hereinafter referred to as "pooled area"; and

WHEREAS, the parties hereto recognize that the creation or attempted creation of an artificial water drive by the injection of water into the producing Queen and Grayburg Formations through the water input wells provided for in the said Order and subsequently authorized by the Oil Conservation Commission, is a reasonable and prudent producing and engineering practice and the parties hereto desire to protect their correlative rights and permit the working interest owners to commingle the oil into one common storage facility.

NOW, THEREFORE, in consideration of the mutual covenants and agreements to be kept and performed by the parties hereto, it is agreed as follows:

1. This agreement shall become effective on the first day of the calendar month following the month in which the working interest owners commence to inject the first water into the authorized input wells and upon approval of the Commissioner of Public Lands. The signed statement of said working interest owners as to the

commencement of the injection of water is all that shall be required of a purchaser of production from the pooled area to issue its transfer orders pursuant to this agreement.

2. Exhibit "A" attached hereto is a schedule showing the acreage comprising each tract, the State lease numbers, the lessees of record and the percentage of participation each tract is entitled to receive from production from the pooled area during the effective period of this agreement. However, during the effective period of this agreement, in lieu of the fractional amount of production which each party hereto would otherwise be entitled to receive from all or any portion of the pooled area, the parties hereto shall receive the percentages set opposite their names, to-wit:

State of New Mexico . . . . .	12.500000%	RI
Hondo Oil and Gas Company . . .	3.125000%	ORI
V. S. Welch . . . . .	2.301000%	PPI
Continental Illinois National Bank and Trust Company of Chicago, as Trustee under the Will of Wm. D. Flynn, deceased	2.301000%	PPI
Yates Brothers, a partnership composed of Harvey E. Yates, Martin Yates, III, S. P. Yates and John A. Yates . .	4.253472%	ORI
International Oil & Gas Corporation . . . . .	51.893959%	WI
Yates Petroleum Corporation . .	23.625569%	WI.

This paragraph shall only affect the fractional amount of production which the parties hereto will receive from the pooled area and shall never be construed to affect the manner in which the interests of the parties hereto under existing agreements are computed and paid nor shall it otherwise affect the terms and provisions of the instruments

creating the interests of the parties hereto in the pooled area.

3. Production from the whole or any specified part of the pooled area shall be allocated on the basis provided for in paragraph No. 2 hereof, regardless of the particular tract from which production is obtained or proceeds derived; production from any part of the pooled area shall be considered for all purposes as being production from each separate lease tract within the pooled area; and the drilling or operation of a well on any part of the pooled area shall be considered for all purposes the drilling or operation of a well on each separate lease tract within the pooled area.

4. The leases embracing lands of the State of New Mexico having all or a portion of its land committed hereto shall, as to all lands embraced in such lease, continue in full force and effect for the term provided in the lease and as long thereafter as oil and gas in paying quantities, or either of them, is produced on any portion of the lands embraced in such lease, or as long as the production from the pooled area is, under the terms of this agreement, allocated to each lease tract within the pooled area, or as long as the lessee or the operator is then engaged in bona fide drilling, reworking or secondary recovery operations on any part of the lands embraced in such lease and as long as such operations are diligently prosecuted, if they result in the production of oil or gas, as long thereafter as oil or gas in paying quantities, or

APR 21 1964  
ST. LOUIS  
MISSOURI

either of them, is produced from any portion of the leased lands.

5. The working interest owners shall not be required to measure separately any production of oil or gas from the pooled area by reason of the diverse ownership of the parties hereto.

6. That in compliance with Order No. R-2405 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowables within the project area of this secondary recovery project.

7. This agreement shall remain in force and effect so long as water is being injected into the Queen or Grayburg Formation through any of the input wells provided for in said Order No. R-2405, or as subsequently authorized by the Oil Conservation Commission of the State of New Mexico. The terms of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

8. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have

executed this agreement in multiple originals as of the  
date above provided in paragraph No. 1 hereof.

ATTEST:

HOUDO OIL ~~AND~~ GAS COMPANY

James L. ...  
Secretary

By Donald B. Anderson  
Vice-President 10/24

\_\_\_\_\_  
V. S. Welch

ATTEST:

CONTINENTAL ILLINOIS NATIONAL  
BANK AND TRUST COMPANY OF CHICAGO

\_\_\_\_\_  
By \_\_\_\_\_  
\_\_\_\_ President

As Trustee under the Will of  
Wm. D. Flynn, deceased.

YATES PROPERTIES

By \_\_\_\_\_  
\_\_\_\_ Partner

ATTEST:

INTERNATIONAL OIL & GAS  
CORPORATION

\_\_\_\_\_  
Secretary By \_\_\_\_\_  
\_\_\_\_ President

ATTEST:

YATES PETROLEUM CORPORATION

\_\_\_\_\_  
Secretary By \_\_\_\_\_  
\_\_\_\_ President