

## AGREEMENT

This Agreement is entered into effective November 27, 2000, by Mississippi Potash, Inc. (MPI), whose address is P. O. Box 101, Carlsbad, New Mexico, 88221, and Yates Petroleum Corporation ("YPC"), whose address is 105 South Fourth Street, Artesia, New Mexico, 88210.

### **WHEREAS:**

1. MPI has filed an Application For Lease on State Land for Lease No. MP-0029, which covers, all the lands in Section 2, Township 22 South, Range 31, East, N.M.P.M., Eddy County, New Mexico;
2. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2705, covering the N/2 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
3. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2597, covering the SW/4 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
4. Section 2 is within the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. YPC has filed with the OCD, Applications for Permits to Drill ("APD") the Graham "AKB" State Wells No. 3 and 4 located in the W/2 NE/4 Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
6. MPI has previously objected to the drilling of the Graham "AKB" State Wells No. 3 and 4.
7. Other disputes have arisen between MPI, YPC and Pogo Producing Company ("Pogo"), with respect to the drilling of wells in Sections 34 and 35, Township 21 South, Range 31 East, Eddy County, New Mexico. By Agreement dated effective June 16, 2000, MPI, YPC and Pogo resolved such disputes. Nothing in the instant agreement shall change or alter said agreement.
8. MPI and YPC desire to settle their differences with respect to potash operations and oil development in Section 2. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Section 2, and YPC shall be allowed to drill oil wells in Section 2.
9. ~~In the event that the State of New Mexico should fail to grant MPI's Application for Lease described in paragraph 1 above, this agreement shall terminate and MPI will not oppose YPC's drilling of wells in Section 2.~~

**NOW, THEREFORE, IT IS AGREED THAT;**

A. MPI shall have a 1320 foot wide corridor through Section 2, as platted on Exhibit A and described by legal subdivisions on Exhibit B:

B. YPC shall be allowed to drill oil wells in Section 2 at locations in its discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and YPC agrees not to file applications for permit to drill oil wells at locations within the corridor;

C. MPI hereby waives objection to any oil wells located in Section 2 on oil and gas leases now owned by YPC which comply with paragraph B above. For purposes of this Agreement "oil well" shall mean a well drilled to a depth no deeper than 200 feet below the base of the Delaware formation. This waiver of objection by MPI shall satisfy any requirement set forth in Order No. R-111-P, and well operators shall not be required to obtain further waivers of objection from MPI with respect to oil wells in Section 2, so long as the well locations comply with paragraph B above. In the event that the OCD requires a separate waiver for any specific location that complies with paragraph B above, MPI shall execute any such waiver consistent with the terms of this Agreement;

D. The prohibition of well locations described in paragraphs A and B above does not apply to well pads, surface facilities, gathering lines, pipelines and other facilities and equipment (except the well) that are on or near the surface,

E. This Agreement is executed by the duly authorized representatives of MPI and YPC and is binding on their respective successors and assigns.


Yates Petroleum Corporation

Mississippi Potash, Inc.



Name: Randy G. Patterson

Title: Attorney-in-Fact

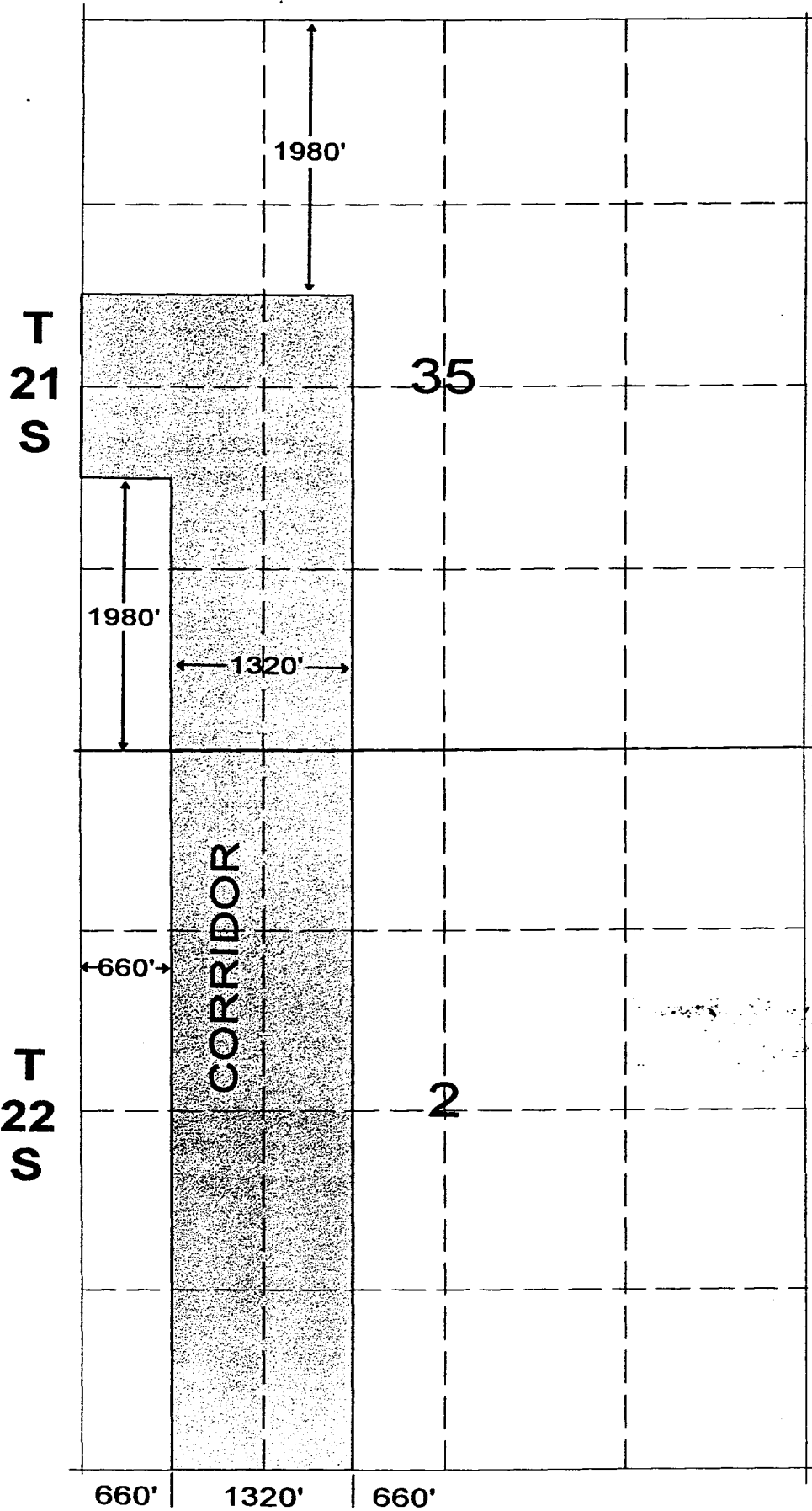


<sup>just</sup> Name: RANDY FOUTS

Title: V.P. OPERATIONS

EXHIBIT "A"

R 31 E



## **EXHIBIT B**

### **Legal Description of Corridor**

The following described lands located in Eddy County, New Mexico:

#### **Township 22 South, Range 31 East, N.M.P.M.**

Section 2:    E/2 NW/4 NW/4  
                  W/2 NE/4 NW/4  
                  E/2 SW/4 NW/4  
                  W/2 SE/4 NW/4  
                  E/2 NW/4 SW/4  
                  W/2 NE/4 SW/4  
                  E/2 SW/4 SW/4  
                  W/2 SE/4 SW/4

For all depths from the surface down to the base of the Salado formation which is located at a subsurface depth of 2461 feet in the CNLD log (compensated neutron litho density log) of the Mary "AIV" State Well No. 5, located 660 feet FNL and 330 feet FEL of Section 36, Township 21 South, Range 31 East, N. M. P. M.