

STIPULATION OF INTEREST AND RATIFICATION OF JOINT OPERATING AGREEMENT

Whereas the oil and gas rights in the SE/4 of Section 36, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are committed to an A.A.P.L. Form 610-1982 Model Form Operating Agreement dated February 15, 1990 (herein "OA1") and the current owners of these rights and their percentages are identified in Exhibit A attached hereto.

Whereas the oil and gas rights in the SW/4 of Section 36, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are committed to an A.A.P.L. Form 610-1982 Model Form Operating Agreement dated July 17, 1986 (herein "OA2") and the current owners of these rights and their percentages are identified in Exhibit A attached hereto.

Whereas the parties to this agreement would like to drill and attempt to complete a horizontal well that will cross from the contract lands in OA2 in the SW/4 Sec. 36-T19SS-R24E into the contract lands of OA1 in the SE/4 Sec. 36-T19S-R24E and the well will be named the Dee 36SE State Com. #7H.

Whereas there is a need to conduct these operations and any future operations that require a spacing unit which will encompass the contract lands of OA1 and OA2 in accordance with one of the two aforementioned operating agreements.

Whereas the parties are subject to both operating agreements.

Whereas Yates Petroleum Corporation is the successor operator under both the operating agreements.

Now therefore, the parties to this agreement for the mutual considerations to all parties in the development of the oil and gas minerals in the S/2 of Section 36, Township 19 South, Range 24 East, stipulate and agree that:

1. The wellbore of the Dee 36SW State #2 well with a surface location of 940' FSL & 990' FWL in Sec. 36-T19S-R24E shall be utilized for drilling the horizontal well and the well renamed the Dee 36 SE Com #7H (herein "Well")
2. The ownership of the well bore shall be adjusted by in accordance with this Agreement by determining the salvage value of the well and equipment just prior to work commencing of the operations for the drilling of the horizontal well, crediting said interest back to the original owners and then charging out the wellbore to the Parties identified on Exhibit A for the same value. This methodology of adjusting ownership values may be used on any well or proposal that become subject to this Agreement.
3. All future operations of the Well will be conducted in accordance with the terms of OA1 in accordance with the Revised Working Interest identified herein on Exhibit A and to the extent necessary OA1 shall supersede and control over OA2.
4. All future proposals to drill, re-complete, or work-over a well that requires a spacing unit or project area as prescribed by the rules of the New Mexico Oil Conservation division that will require lands be dedicated from both the SE/4 and SW/4 of Sec. 36-T19S-R24E, the proposals and operations shall be conducted in accordance with the terms and conditions of this Agreement.
5. All future proposals to drill, re-complete, or work-over a well currently governed by OA1 or OA2 separately and that has not become subject to this Agreement shall be conducted in accordance with the respective operating agreement.
6. To the extent necessary, OA1 and OA2 are modified in accordance with this Agreement and shall be construed in accordance with this Agreement. In the event of conflict between OA1, OA2 and this Agreement, this Agreement shall control.
7. This Agreement shall inure to and be binding on all parties that executed this agreement and their successors, assignees and heirs.
8. This Agreement constitutes the entire understanding between the parties with regard to the subject matter hereof, superseding all prior statements, representations, discussions, agreements and understandings.

Yates Petroleum Corporation
Case No. 14598
Exhibit 3

9. This Agreement may be executed in counterparts or with detachable signature pages and shall constitute one agreement, binding on all parties thereto as if all parties signed the same document.

Agreed to and accepted this _____ date of _____, but effective for all purposes November 1, 2010.

Yates Petroleum Corporation

Cathie Cone McCown

By: _____
Date: _____

By: _____
Date: _____

**Bank of Oklahoma, N.A.,
Successor Trustee of the Trust
Created Under the Will and
Codicil of Kathleen Cone,
Deceased for the Benefit of the
Children of Tom R. Cone**

**Auvenshine's Children's
Testamentary Trust, Cathie
Cone McCown, Trustee**

By: _____
Date: _____

By: _____
Date: _____

Randy Lee Cone

Tom R. Cone

By: _____
Date: _____

By: _____
Date: _____

Kenneth G. Cone

**Kenneth G. Cone, Trustee of the
Trusts Created Under The Will
and Codicil of Kathleen Cone,
Deceased for the Benefit of the
Children of Kenneth G. Cone**

By: _____
Date: _____

By: _____
Date: _____

STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by John A. Yates, Jr, as Attorney-in-Fact for Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF HAYS)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Cathie Cone McCown, dealing in her sole and separate property.

My commission expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF HAYS)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Cathie Cone McCown, as Trustee of Auvenshine's Children's Testamentary Trust, for said Trust.

My commission expires: _____
Notary Public

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by _____ as _____ of Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone, for said Trust.

My commission expires: _____
Notary Public

STATE OF ALASKA)
) ss.
BOROUGH OF ANCHORAGE)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Randy Lee Cone, dealing in his sole and separate property.

My commission expires: _____
Notary Public

STATE OF MISSOURI)
) ss.
COUNTY OF MCDONALD)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Tom R. Cone, dealing in his sole and separate property.

My commission expires: _____
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Kenneth G. Cone, dealing in his sole and separate property.

My commission expires: _____
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010, by Kenneth G. Cone, Trustee of the Trusts Created under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone, as Trustee for said Trusts.

My commission expires: _____
Notary Public

Exhibit A

Attached to and made a part of that Stipulation of Interest and Ratification of Joint Operating Agreement dated Effective November 1, 2010, between Yates Petroleum Corporation as successor Operator and Cathie Cone McCown, et. al. as Non-operators.

(1) IDENTIFICATION OF LANDS SUBJECT TO AGREEMENT:

Township 19 South, Range 24 East, N.M.P.M
Section 36: S/2
Eddy County, New Mexico
Containing 320 acres, more or less.

(2) RESTRICTIONS AS TO DEPTHS AND FORMATIONS:

Surface to the base of the stratigraphic equivalent of the Cisco formation.

(3) PERCENTAGES OF PARTIES TO THIS AGREEMENT:

Name	OA1 Working Interest SE/4	OA2 Working Interest SW/4	REVISED WORKING INTEREST
Yates Petroleum Corporation	90.3750%	89.1250%	89.7500%
Cathie Cone McCown	1.8750%	1.8750%	1.8750%
Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	1.1250%	1.1250%	1.1250%
Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.7500%	0.7500%	0.7500%
Randy Lee Cone	0.3750%	0.3750%	0.3750%
Tom R. Cone	1.2500%	2.500%	1.8750%
Kenneth G. Cone	3.12500%	3.1250%	3.1250%
Kenneth G. Cone, Trustee of the Trusts Created Under The Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone	1.12500%	1.1250%	1.1250%
Total	100.00%	100.00%	100.00%

(4) OIL AND GAS LEASES AND/OR INTEREST SUBJECT TO THIS AGREEMENT:

- (A) Lease No.: E-2781
Lessor: State of New Mexico
Original Lessee: B. R. Gorman
Date: 7/11/49
Status: HBP
Legal: Township 19 South - Range 24 East, N.M.P.M.
Sec. 36: E/2SE, NESW
Eddy County, New Mexico
120.00 acres
Royalty Interest 1/8th
- (B) Lease No.: K-6385
Lessor: State of New Mexico
Original Lessee: Yates Petroleum Corporation
Date: 9/20/1966
Status: HBP
Legal: Township 19 South - Range 24 East, N.M.P.M.
Sec. 36: NWSE
Eddy County, New Mexico
40.00acres
Royalty Interest: 1/8th
- (C) Lease No.: LG-1525
Lessor: State of New Mexico
Original Lessee: Yates Petroleum Corporation
Date: 2/1/1974
Status: HBP
Legal: Township 19 South - Range 24 East, N.M.P.M.

Exhibit A

Attached to and made a part of that Stipulation of Interest and Ratification of Joint Operating Agreement dated Effective November 1, 2010, between Yates Petroleum Corporation as successor Operator and Cathie Cone McCown, et. al. as Non-operators.

Sec. 36: NESW, S/2SW, SWSE
Eddy County, New Mexico
160.00acres

Royalty Interest: 1/8th

(5) ADDRESS OF PARTIES FOR NOTICE PURPOSES:

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210
Phone: 575-748-1471
Fax: 575-748-4572

Cathie Cone McCown
P. O. Box 685
Dripping Spring, TX 78620-0658
Phone: 512-858-1641
Fax: _____

Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee
P. O. Box 507
Dripping Spring, TX 78620-0507
Phone: 512-858-1641
Fax: _____

Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone
P. O. Box 1588
Tulsa, OK 74101-1588
Phone: 918-588-6229
Fax: _____

Randy Lee Cone
P. O. Box 231034
Anchorage, AK 99523
Phone: 907-770-2664
Fax: _____

Tom R. Cone
P. O. Box 400
Southwest City, MO 64863
Phone: 918-854-3170
Fax: _____

Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
Phone: 432-687-4593
Fax: _____

Kenneth G. Cone, Trustee of the Trusts Created Under The Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
Phone: 432-687-4593
Fax: _____