FIFTH JUDICIAL DISTRICT COURT STATE OF NEW MEXICO COUNTY OF LEA

TMBR/SHARP DRILLING, INC.,

Plaintiff,

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v.

DAVID H. ARRINGTON OIL & GAS, INC., JAMES D. HUFF, MADELINE STOKES, ERMA STOKES HAMILTON,

JOHN DAVID STOKES, and TOM STOKES,

Defendants.

#### PLAINTIFF'S COMPLAINT FOR DECLARATORY JUDGMENT, TORTIOUS INTERFERENCE, REPUDIATION, DAMAGES, AND INJUNCTIVE RELIEF

TMBR/SHARP DRILLING, INC. ("TMBR/Sharp"), Plaintiff, for cause of action against DAVID H. ARRINGTON OIL & GAS, INC., JAMES D. HUFF, MADELINE STOKES, AND ERMA STOKES HAMILTON would show the Court as follows:

#### THE PARTIES

- 1. Plaintiff is TMBR/Sharp Drilling, Inc. ("TMBR/Sharp") which is a Texas corporation doing business in the State of New Mexico and with offices in Midland, Texas.
- Defendant David H. Arrington Oil & Gas, Inc. ("Arrington O&G") is a Texas corporation
  doing business in New Mexico and is a resident of Midland, Texas. It may be served

  <u>Certified Mail, Return Receipt Requested</u>, through its registered agent, Lewis Cox, III, at 311

  North First Street, Lovington, New Mexico, 88260.

Plaintiff's Complaint for Declaratory Judgment, Tortious Interference, Repudiation, Damages, and Injunctive Relief

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EXHIBIT 7

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- James D. Huff ("Huff") is an individual doing business in New Mexico and is a resident of Mineola, Texas. He may be served by <u>Certified Mail, Return Receipt Requested</u>, at P. O. Box 705, Mineola, Texas 75773.
- 4. Defendant Madeline Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by <u>Certified Mail, Return Receipt Requested</u>, at Box 1115, Ozona, Texas 76943.
- 5. Defendant Erma Stokes Hamilton is an individual owning real property in New Mexico and residing in Big Spring, Texas and may be served by <u>Certified Mail</u>, <u>Return Receipt Requested</u>, at 408 W. Washington, Big Spring, Texas 79720.
- 6. Defendant John David Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by <u>Certified Mail, Return Receipt Requested</u>, at P. O. Box 1739, Ozona, Texas 76943.
- 7. Defendant Tom Stokes is an individual owning real property in New Mexico and residing in Ozona, Texas and may be served by <u>Certified Mail, Return Receipt Requested</u>, at Box 932, Ozona, Texas 76943.

#### **VENUE AND JURISDICTION**

- 8. Pursuant to New Mexico Statute 38-3-1(D), venue is mandatory in Lea County, New Mexico because the real property, ownership of which is at issue, is located there.
- 9. This Court has jurisdiction over the parties and the subject matter of this action.

#### FACTUAL BACKGROUND

#### ORIGINAL LEASES

- 10. Effective July 1, 1998, TMBR/Sharp entered into an operating agreement ("Operating Agreement") covering oil and gas properties in Lea County, New Mexico.
- 11. Exhibit "A" to the Operating Agreement described lands covered by the agreement including Section 24, T-16-S, R-35-E, in Lea County, New Mexico, and more specifically described two oil and gas leases, each of which cover, among other lands, the NW/4 SW/4 and NW/4 NE/4 of said Section 24.

#### THE LEASES

- 12. The first lease ("First Lease") is an oil and gas lease made effective December 7, 1997 between Madeline Stokes and Ameristate Oil & Gas, Inc. ("Ameristate").
- The First Lease is recorded in Book 827, page 128 of the Deed Records of Lea County, New
   Mexico, as amended by instrument dated August 10, 2000.
- 14. The second lease ("Second Lease") is a lease made effective December 7, 1997 between Erma Stokes Hamilton and Ameristate. It is filed in Book 827, page 124 of the Deed Records of Lea County, New Mexico as amended by instrument dated August 14, 2000.
- 15. By Quitclaim Deed with Reservation of Life Estate and executory rights, Emma Stokes
  Hamilton granted John David Stokes and Tom Stokes her remaining interest in the Second
  Lease.

- These two leases, as amended, are herein referred to as the "Original Stokes Leases" or the "First Lease" and "Second Lease," and copies thereof are attached hereto as Exhibits "A" and "B"
- 17. TMBR/Sharp is a successor in interest to Ameristate by assignment of the First Lease and Second Lease.

#### THE POOLED UNIT

- 18. On November 17, 2000, TMBR/Sharp Drilling as operator under the Operating Agreement, filed an application for permit to drill (Form C-101) with the Oil Conservation Division ("OCD") of the State of New Mexico, a copy of which is attached as Exhibit "C."
- 19. On the same date TMBR/Sharp filed a well location and acreage dedication plat describing the pooled unit dedicated to the proposed well, the Blue Fin "24" No. 1 Well (Form C-102) with the OCD and outlined thereon the 320 pooled acres in Township 16 South, Range 35 East, NMPM, Section 24: W/2, Lea County, New Mexico. A copy of this instrument is attached as Exhibit "D."
- 20. The permit to drill was approved by the OCD on November 22, 2000.
- 21. The Blue Fin "24" No. 1 Well was spudded in March 29, 2001 and a drill stem test was run on May 15, 2001.
- 22. On June 3, 2001 casing was placed in the hole.
- 23. On June 28, 2001 the well was perforated and on June 29, 2001 hydrocarbons were produced from the well.

24. The well, which is capable of producing hydrocarbons in paying quantities, is presently

waiting for a pipeline connection.

25. The Original Stokes Leases each provides in Paragraph 5 in pertinent part: "Lessee is hereby

granted the right and power, from time to time, to pool or combine this lease, the land

covered by it or any part or horizon thereof with any other land, leases, mineral estates or

parts thereof for the production of oil or gas . . . . Lessee shall file a written unit designation

in the county in which the premises are located and such units may be designated from time

to time and either before or after the completion of wells. Drilling operations on or

production from any part of any such unit shall be considered for all purposes, except the

payment of royalty, as operations conducted upon or production from the land described in

this lease." (emphasis added).

26. A portion of the lands covered by each of the Original Stokes Leases, namely the NW/4

SW/4 of Section 24, was included in the unit designation filed in Lea County, New Mexico

with the OCD of the State of New Mexico during the primary term of such leases.

Therefore, during the primary term, there was a well being drilled on a pooled unit which

included Original Stokes Lease Acreage. Those activities were sufficient to preserve the

leases beyond the primary terms. The First and Second Leases and all acreage described

therein are now held by the Blue Fin "24" No. 1 Well, subject to continuous development by

TMBR/Sharp as described below.

#### TOP LEASES

- 27. On or about March 27, 2001, Huff acquired an oil and gas lease from Defendant Madeline Stokes covering the same lands and minerals covered by the Original Stokes Leases. This lease is herein referred to as the "Stokes Top Lease."
- 28. The Stokes Top Lease purports to be for a primary term of three (3) years from June 7, 2001, and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
- 29. On the same date, Huff acquired an oil and gas lease from Defendant Erma Stokes Hamilton also covering the same lands described in the Original Stokes Leases. This lease is herein referred to as the "Hamilton Top Lease."
- Top Lease and Hamilton Top Lease are herein collectively referred to as the "Huff Top Leases," and copies thereof are attached hereto as Exhibits "E" and "F."
- 31. The Huff Top Leases each provide in pertinent part: "This oil and gas lease is subordinate to that certain 'Prior Lease' [Original Stokes Leases] recorded in... Lea County Records, as amended by instrument dated ... recorded ... Lea County Records, but only to the extent that said prior lease is currently a valid and subsisting oil and gas lease."
- On or about July 12, 2001 Michael J. Canon, an attorney in Midland, Texas contacted RandyV. Watts an independent landman working for TMBR/Sharp and Ameristate and other parties to the Operating Agreement.

- 33. Mr. Canon advised Mr. Watts that his clients the Stokes Family questioned the continued
  - validity of the Original Stokes Leases, in that no pooling designation had been filed in the
    - County Clerk's office of Lea County prior to the expiration of the primary term of the
    - Original Stokes Leases.
- 34. Mr. Phil Brewer, an attorney for TMBR/Sharp and other parties to the Operating Agreement,
  - responded to Mr. Canon's inquiry by letter advising of TMBR/Sharp's position that the
    - Original Stokes Leases were in full force and effect.
- 35. Mr. Canon replied to Mr. Brewer's letter in writing indicating that the "Stokes Family had
  - questions with respect to whether or not the lease [Original Stokes Leases] is in effect and
  - whether Ameristate has taken the necessary and appropriate action to perpetuate its lease
  - beyond the expiration of its primary term, June 17[sic], 2001."
- 36. On information and belief, Huff has taken the position that the Original Stokes Leases have
  - expired and that the Huff Top Leases are in effect.
- 37. On July 19, 2001 Arrington O&G filed an application for and obtained a permit to drill the
  - Triple Hackle Dragon 25 No. 1. Well on the W/2 of Section 25, T-16-S, R-35-E, Lea
    - County, New Mexico. The OCD approved the application on July 19, 2001.
- 38. The unit designated by Arrington O&G for this permit covered lands described in the
  - Original Stokes Leases and the Huff Top Leases.
- 39. On information and belief, Arrington O&G obtained this permit to drill on the basis of
  - ownership rights claimed to be held pursuant to the Huff Top Leases.

- On July 30, 2001, Arrington O&G filed an application for and obtained a permit to drill the 40. Blue Drake 23 No. 1. Well on the E/2 Section 23, T-16-S, R-35-E, Lea County, New Mexico. The OCD approved the application
- The unit designated by Arrington O&G for this permit covered lands described in the 41. Original Stokes Leases and the Huff Top Leases.
- 42. On information and belief, Arrington O&G obtained this permit to drill on the basis of ownership rights claimed to be held pursuant to the Huff Top Leases.
- 43. David H. Arrington ("Arrington"), President of Arrington O&G, made statements to a TMBR/Sharp representative that the leases held by TMBR/Sharp had terminated and his company intended to move forward with development.
- 44. On August 8, 2001, TMBR/Sharp was denied a permit to drill the Blue Fin "25" No. 1 Well on the E/2 of Section 25, by letter from Chris Williams, District I Supervisor for the Oil Conservation Division of the State of New Mexico, stating that the permit granted to Arrington O&G precluded the permit applied for by TMBR/Sharp.
- 45. On August 8, 2001, TMBR/Sharp was denied a permit to drill the Leavelle "23" No. 1 Well on the E/2 of Section 23, also on the basis of a letter from Chris Williams with like statement that the permit granted Arrington O&G precluded the granting of the permit sought by TMBR/Sharp.
- 46. The Original Stokes Leases are in full force and effect. However, each of these leases contains a "continuous development clause." Specifically, in Paragraph 12 of Exhibit A of each such lease provides in pertinent part: "Should Lessee fail to timely commence a well

in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit."

- 47. TMBR/Sharp attempted to drill two additional wells in accordance with the provisions of Paragraph 12 of the Original Stokes Lease, but was denied drilling permits by the OCD on its leasehold property because those lands are claimed to be subject to the Huff Top Leases.
- 48. The drilling applications filed by Arrington O&G have prevented TMBR/Sharp from exercising its rights and fulfilling its obligations under the Original Stokes Leases.

# COUNT I DECLARATORY JUDGMENT: ORIGINAL STOKES LEASES ARE PROPERLY POOLED

- 49. TMBR/Sharp incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
- 50. TMBR/Sharp is an interested party under a written contract whose rights, status or other legal relations should be determined by the Court pursuant to the New Mexico Declaratory Judgment Act 44-6-1 through 44-6-15.
- 51. TMBR/Sharp seeks a declaratory judgment from the Court that the Original Stokes Leases are in full force and effect because TMBR/Sharp was drilling upon lands properly pooled with the lands covered by the Original Stokes Leases across the expiration of the primary term as provided for in Paragraph 5 of the lease.
- 52. Specifically, TMBR/Sharp seeks a declaratory judgment that its written unit designation filed in Lea County with the Oil Conservation Division of the State of New Mexico on

November 17, 2000 satisfied the obligations of Paragraph 5 of the Original Stokes Leases

to properly pool the NW/4 SW/4 of Section 25, T-16-S, R-35-E, into a unit comprised of the

W/2 of said Section 25.

**COUNT II** 

**DECLARATORY JUDGMENT: HUFF TOP LEASES NOT EFFECTIVE** 

53. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through

44 of this Complaint.

54. TMBR/Sharp seeks a declaratory judgment from the Court that the Huff Top Leases are not

effective because the Original Stokes Leases are currently valid and subsisting oil and gas

leases covering the lands described therein and superior in all respects to the Huff Top

Leases.

COUNT III
TORTIOUS INTERFERENCE

55. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through

44 of this Complaint.

56. Arrington, Arrington O&G's and Huff's solicitation and acceptance of the Huff Top Leases,

constitute deliberate and malicious tortious interference with the contractual relationships

between TMBR/Sharp on the one hand and each of Madeline Stokes and Erma Stokes

Hamilton on the other.

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- 57. Huff's knowledge of the Original Stokes Lease is undisputed and clearly evidenced by the fact that Huff took a top lease that would not be viable until the expiration of the Original
- 58. TMBR/Sharp has been denied its right to perform continued drilling operations on the Original Stokes Leases.
- 59. Huff, Arrington and/or Arrington O&G have asserted that the Original Stokes Leases expired, that the Huff Top Leases were valid and subsisting oil and gas leases, and requested and received permits from the OCD to drill wells on lands and minerals covered by the Original Stokes Leases.
- 60. Arrington O&G obtained drilling permits, told TMBR/Sharp employees that the Original Stokes Leases were expired, and performed operations on the lands covered by the Huff Top Leases.
- 61. Huff, Arrington and Arrington O&G further knew and understood that TMBR/Sharp could not utilize its contractual rights if it could not obtain permits from the Oil Conservation Division of the State of New Mexico to drill on acreage covered by the Original Stokes Leases.
- 62. Huff's, Arrington's and Arrington O&G's willfully and intentionally committed acts calculated to cause damage to TMBR/Sharp and its lawful business and ownership of the property pursuant to the Original Stokes Leases.
- 63. Huff's, Arrington's and Arrington O&G's acts were the proximate cause of damage to TMBR/Sharp in that TMBR/Sharp lost the opportunity or lost time in which to drill wells

Stokes Leases.

on the pre-selected sites, and deprived TMBR/Sharp of the benefit of the Original Stokes

Leases.

64. TMBR/Sharp has suffered actual damage and loss by virtue of Huff's, Arrington's and

Arrington O&G's conduct by losing drilling opportunities in that drilling rigs are now

reasonably available and gas prices remain high. If drilling is delayed, either rigs may

become unavailable or gas prices may drop. Further, TMBR/Sharp has been damages by its

loss of future production from the two wells it intended to drill but was denied permits for.

<u>COUNT IV</u>

TMBR/SHARP'S DUTY TO DRILL SHALL BE SUSPENDED

65. Plaintiff incorporates by reference the factual information contained in paragraphs 1 through

44 of this Complaint.

66. Paragraph 9 of each of the Original Stokes Leases provides in pertinent part: "Should lessee

be prevented from complying with any express or implied covenant of this lease, or from

conducting drilling or reworking operations hereunder, or from producing oil or gas

hereunder by reason of scarcity or inability to obtain or use equipment or material or by

operation of force majeure, or by any federal or state law or any order, rule or regulation of

governmental authority, then while so prevented, lessee's duty shall be suspended, and

Lessee shall not be liable for failure to comply therewith, and this lease shall be extended

while and so long as Lessee is prevented by any such cause from conducting drilling or

reworking operations or from producing oil or gas hereunder, and that time while Lessee is

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- so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding."
- 67. The conduct of Arrington O&G, acting on behalf of or in concert with Huff, in applying for and receiving permits to drill from the Oil Conservation Division on lands and minerals covered by the Original Stokes Leases, has caused the Oil Conservation Division to withhold the applied for drilling permits for the Blue Fin "25" No. 1 Well and the Leavelle "23" No. 1 Well, thereby resulting in circumstances which have triggered Paragraph 9 of the Original Stokes Leases.
- 68. Pursuant to the terms of Paragraph 9 of the Original Stokes Leases TMBR/Sharp seeks a declaratory judgment that its duty "shall be suspended" and it "shall not be liable for failure to comply therewith [the lease] and the leases "shall be extended while and so long as lessee is prevented.... from conducting drilling or reworking operations or from producing oil or gas hereunder," as a result of it being unable to obtain OCD permits for the drilling of the referenced wells.

#### COUNT V EQUITABLE CLAIM: LEASE REPUDIATION

- 69. Plaintiff TMBR/Sharp incorporates by reference the factual information contained in paragraphs 1 through 44 of this Complaint.
- 70. Madeline Stokes and Erma Stokes Hamilton have, acting through their attorney, Michael J. Canon, wrongfully repudiated the Original Stokes Leases by asserting that the actions of the Lessee/Plaintiff are not sufficient, pursuant to the Original Stokes Leases, to perpetuate such leases beyond the specified primary term.
- 71. Further, their assertions that the Huff Top Leases are valid and subsisting oil and gas leases and permitting Huff and Arrington to obtain the interfering permits, precluding the exercise by TMBR/Sharp of its rights pursuant to the Original Stokes Leases, constitute a clear and unequivocal challenge to TMBR/Sharp's title to the Original Stokes Leases.
- 72. For such time as TMBR/Sharp is precluded from obtaining permits and pursuing its rights pursuant to the Original Stokes Leases, TMBR/Sharp requests this court exercise its equitable powers and suspend the running of any time period for performance by TMBR/Sharp pursuant to the Original Stokes Leases.

#### PRAYER FOR RELIEF

69. WHEREFORE, PREMISES CONSIDERED, Plaintiff TMBR/Sharp, Inc. respectfully requests the Court enter judgment awarding TMBR/Sharp the following relief:

- a. All direct and consequential damages of Defendants' breaches of their duties as described herein;
- b. An award of damages for Arrington's and Huff's tortious interference;
- c. A declaration that TMBR/Sharp's written unit designation filed in Lea County with the Oil Conservation Division of the State of New Mexico on November 17, 2000, satisfied the obligations of Paragraph 5 of the Original Stokes Leases to properly pool the N/4 SW/4 of Section 25, T-16-S, R-35-E, into a unit comprised of the W/2 of said Section 25;
- d. A declaration that the Huff Top Leases are not effective because the Original Stokes

  Leases are currently valid and subsisting oil and gas leases covering the lands

  described in this Complaint:
- e. A finding that Madeline Stokes and Erma Stokes have repudiated the Original Stokes

  Leases;
- f. Equitable relief relieving TMBR/Sharp from any obligation to conduct further drilling operations required under the Original Stokes Leases pending a judicial resolution as to the validity of the Original Stokes Leases;
- g. A temporary restraining order and injunctive relief ordering Arrington O&G and/or
  Huff refrain from drilling any wells on and acreage covered by the Original Stokes
  Leases:
- h. Awarding TMBR/Sharp costs, reasonable attorney's fees and pre-judgment and postjudgment interest at the highest lawful statutory or contractual rate; and

 i. Awarding TMBR/Sharp such other and further relief at law or in equity to which it may be justly entitled.

Respectfully submitted,

COTTON, BLEDSOE, TIGHE & DAWSON, P.C.

500 West Illinois, Suite 300

P.O. Box 2776 Midland, Texas 79702-2776

(915) 684-5782

(915) 682-3672 - Fax

By:

SUSAN R. RICHARDSON RICHARD R. MONTGOMERY ROBERT T. SULLIVAN

and

PHIL BREWER

P. O. Box 298 Roswell, NM 88202-0298 (505) 625-0298

ATTORNEYS FOR PLAINTIFF

## EXHIBIT A

Producer:s \$8-Paid-up

#### 14263

#### OIL & GAS LEASE



1945 AGREEMENT made this August 25, 1997, but effective December 7, 1997, between Madeline Stukes, dealing in her sole and separate property, whose stidiess is P.O. Box 1115, Ozona, Texas 76943, hereicolled texor (whether use or more) soil lease: AMERISTATE OIL & GAS, INC., 1211 WEST TEXAS STREET, MIDIAND, TEXAS 79701.

If your is consistent of 15.5 AND 00 (Onthe DOLLARS such in head pold receipt and sufficiency of which is harely audition/legal, and of the reyestest herein greened and of the agreeness of the bound period of the transfer and industry and the bound period of the bound period of investigating amplitude, because which and air and period of investigating amplitude, while and investigating and investigating and investigating are investigating and investigating the following described lend in Lea Courty, New Mexico. Livid of the period of the peri

Township 16 South, Runes 35 East, NMPM

Section 13: SE% Section 23: SE%

Section 24: NW/SW/L, NW//NE//

Section 25: NW%

Section 26: NE%

#### SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Next land is intermed to comprese 720.00 early, whether a security comprises more or load.

- 2. Subject to the cities procurents boson contained, the lease shall remain in first for a term of there (3) years from Describer 7, 1997, (called "primery tores"), and as long therefore it are not perfectly from any hand or from land with which said land is provided.
- It is not also with past by laters are, (a) in mill, and what liquid hydrounitors asked at the wells or later produced and saved from and level, same to be delivered at the wells or later years and level or to the scale of level is the project on which the scale from and leaf and mill the provision of what manufature of gravities are the product, the ment will all \$18 of the gas used, provided that are gas sold on or off the pression, the injudicies with a provision have designed and a my time what the lease is not velidated by their provisions haved only there is a gas end or condensate and to avoid ment to the provisions have an expension, the condensate will be all the condensate and the scale and well to the or same trade of the pression, then on or before 100 cases of the mill to the mill and or their provisions have an end therefore, then on or before 100 cases of the mill to the mill and mill and mill the paid of the provisions and it shall be entired to the party making guide provision from the based premises in paying quantities. Each make provision and the party or parties who are the mill the paid to tended to the party or parties who are the mill the paid to tended the party or parties who are the mill the mill the paid to the design of experience of experience and the mill the paid to the design of experience of experienc
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- 2 Count is leaving granted the right and pursor, from time to trant to pool or pushine this land, the land covered by it or may part or horizon strengt with any other land, know, marcal set don't present directly for the production of rid or got. Into pooled inaccusade shall not exceed the standard provision until front by law or by the Oil Conservation Division of the Storey, and Minerain Department of the State of New Vertices or by any other leaveld and such insteams in which said fined it sides of, thus a colorance of law grants. Lower shall like network that the grants are the county or writing the production of write. Drilling operations on or production form any part of any such unit shall be considered for all purposes, except the payment of royalty, no uparations of collection of write. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, no uparations of the latest production of most included in any such unit that parties of the test descent and production of the test and production of the test of the latest free worth on the own of production of the test of the latest ordinary free worth on the own bears to the latest forward by this lates ordinary in the own of the payment of the latest ordinary of royalty, to be the own of the test of the latest free latest free all purposes, including the payment or delivery of royalty, to be the own of peculiar information of peculiar innormals from the portion of said land overal brothy and included it said unit in the same from one shough production of a late of the own of the lates. Not provided become from the own of the latest that the county where the land to execute the county of the own of the own of the county of the county of the county of the cou
- 6. If a this equivation of the primary term there is no well upon used land ougable of producing oil or gas, but leases has governmented operations for drilling or researching thereos, the leave shall contain an force is long as specially as no produced make no assurance of more than 180 corporations are presented with no assurance than 180 corporations while the statement will be written as well as the produced from soid land. If there is expiration of the primary term, all wells upon said land should become incapable of producing for any cutting that it imposes consumption operations for additional efficiency drilling additional efficiency operations because in production, then this know shall force so long thereties, or it is got in production, then this know shall force so long the cutting production.
- \* I amountal laws five use of sell, gas and water from said land, except water from inspert wells and table, for all operations ingreated, and the reporty shall be excepted after detains a sery or used. Lawser dealt have the right at any terreducing or after the expertation of this lease to remove all property and finations placed by leases on said land, belowing the right to stress and memorial content. When required by leaver, bears will bury all pipe lines on destroated lamb below ordinary place depth, and so well shall be writted to the contents of feet (200 feet) of say residence or best over an early land without hence's concern. Leaser shall have the privilege, at his rich and expense, of using gas from any gas well as set lend for some and mide tights in the provides developed the privilege.
- It has not a cluster party between an energy of a serigual is, while or in part and the provisions factor shall engred to their heirs, encourage, administrators, assument and assigns; but no change is the conserve of their and the conservity of, or right to receive, receive, receive or that is royalist, however accomplished, shall speake as aslange the abliquishes or during the rights of leaves and the such change or will be bridge upon beaut for my purpose well 90 days after leaves has been furnished by cuttinal exist if leaves provided upon the confidence of the first of leaves and the such manner or cuttined used in experiments of the chain of tile from the original leaves. If my such though course through the during the course, force may, the experiments, as the original may of tender my royalise or their in the narres of the durins of the their account or administrative with such as the party of the durins of the party and an interest of the leaves of the leaves or subject or the party of the such assignment of this leave in which or make durink in the party of the party and part of the party or that it is or make durink in the party of the provisions of the party and party or party or the subject or the party of the provisions of the party and a part of said bank upon which issues or subject or the life or make until payments.
- 9. Should know the processed it was complying with any segment or simplical unvarient of the beaut, or from enabling drilling or retworking operations increments, or from producing and or go, hardwater by resement or and a low or may ender, puts or regulate or of grown and all or and and a low or may ender, puts or regulate or of grown and all or should be a processed, insected daily deal to preparation, and the lasses the fit was to his lots for faither to comply therewish, and this losses the education while and to large as known a processed by any much cause from anadoxing drilling or processing operations or from producing oil or get immunder; and the time while leases to be processed by any much cause from anadoxing drilling or processing operations or from producing oil or get immunder; and the time to the owners y service while

10. Lower hereby werrants and agrees to defined the thile to said hand and agrees that leaves at he applies may discharge my tast, mortgage or other lies upon said land, and it the owner hand do not be abbreviated to make him with the right to anthrow some and to apply republics and abust-in republics populate homeoff at the owner of his house separated of human right to make the western of his house the western of anti-information in the separate in the old or gas in all or any post of said land than the make under the object factors in teres in herein specified or not) then the republic, dust-in republy, and other payment, if my, and other payment, if my, and other payment is to which the land of the same than any individual the said and the specified or any in the parties assent above as several in the said according to the parties assent above as several for any one or more to be what and underided the simple value only any one or more than any several payment in parties assent above as several for any one or more than the parties assent above as several for the said according upon the party or parties quanting the same.

13. Leave, its or his macroment, heirs and analyse, shall have the right at any time to startender this leave, in whole or it, part, to leaver or his heirs, measurement, and analyse by delivering or moiling a release thereof to the leaver, or by placing a release thereof of county in which hold had in adjusted, thereopen leaves shall be relieved from all objections, expensed or implied, of this agreement are to some pre-secretary, and thereafter the shall be relieved that the properties that the county or reviewed by and release or releases.

madeline Heden

STATE OF TEXAS

COUNTY OF Crockett

03 - 28 - 01

This instrument was acknowledged before me on the 4th day of September 1997, by Madeline Stokes, dealing in her sole and separate property.

Sacal Stewart Sarah Stewart

My commission expires:

BOOK 827 PAGE 128

#### EXHIBIT "A"

# **ILLEGIBLE**

Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Madeline Stokes, lessor, and Ameristate Oil & Gas, Inc., lessee:

- Notwithstanding anything contained hereinabove to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby not included in or otherwise allocated to a "well unit" as hereinafter defined, unless lessee is producing oil, gas or other hydrocarbons from any well on the leased premises, or lands pooled therewith, or is drilling upon said lands across the expiration of the primary term as provided for in the body of this lease, and does not allow more than 180 days to clapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities as in accordance with the applicable rules and regulations of the New Movico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying, more than 100 below the total depth drilled.
- 13 Payment of shut-in gas well royalties will not be permitted to maintain this lease in force for any period longer than two consecutive years, without the written consent of Lessor.

Signed for identification purposes:

Madeline Stokes

4263

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STATE OF NEW MEXICO COUNTY OF LEA

And recorded in Board
Page
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Plus Chappeso, Las Johnly Clark
Plus Chappeso, Las Johnly Clark

## **EXHIBIT B**

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#### 14262

#### OIL & GAS LEASE



A Commence of the second second

THIS ACREEMENT made this August 25, 1997, but effective December 7, 1997, between Erma Stokes Hamilton, dealing in her sole and separate property, whose address is P.O. Box 1470, Eig Spring, Texas 79721, herois called losse (whether one or more) and inness AMERISTATE OIL & GAS, Inc., 1211 West Texas STREET, MIDLAND, TEXAS 79701.

1. Limit, is carried store of TEN AND OCI (Oths DOLLARS cash in head paid, moulet and sufficiency of which is hereby advisoring and of the reputition herein provided and of the agreements of the hasce herein contained, hereby greats, leaves and lets anotherive piece team for the purpose of inventigating, captoring, proposelys, deliber, and operating and producing will and go, injecting gas, waters, other fields, and sin lets automation atrias, laying pipe lines, soring all, building tanks, reachesys, telephone lines, and other anothers and things thereon to produce, sero, take ours of, tent, pressue, store and transport said minerals, the following described lead in Los County, New Mexico, to wa

Township 16 South, Range JS Fast, NMPM

Section 13: SE%

Section 23: SE%

Section 24: NW/SW/4, NW/NE/4

Section 25: NW%

Section 261 NEY

#### SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Said land a maintain to comprise 720.00 series, whether it extently comprises more or less

- 2. Subject to the other provisions herein contributed, this bease shall remain in force for a term of three (3) years from December 7, 1997, (called 'primary term'), and as long thereafte as oil or gas is produced from said land or from lead with which said land to purplet.
- 2. The republish to he paid by leases true, (a) on all, and other liquid hydrocarborus aread at the wall, 3/16 of that produced and aswell from said land, serves to be delivered at the realist at the physicise to which the wells may be contented; (b) on page, including stating-and gas or other gaseous substances produced from said land, and said of the previous or used in the openions or used in the content value at the well of 3/16 of the seventre realized from such said; (c) and at any time when this lease is not reliabled by other provisions beneaf and there is a gas and/or unidenses well on said bank, or lord pended therewish, but gas or condenses is not being no sold or used and sock well in side-in, within before or allow production therefore, then on one pended to the side of the first of the forest pended in the said pended to the side of the seventre, the part of the side of the side of the side of the said of the said
- 4. This is a quid-up lance and haves the lines in obligated during the princip term haves to convene as continue any operations of whiteconer whereast or to make any payments becomes or continue this lease in force during the provision to the provision of the chil gatien to pay regulation or sense permanent to the provisions of Personals I haves.
- I Lases is hereby greeted the right and power, from time to time, to pool or combine this lases, the land covered by it or any part or horizon thereof with any other land, bases, materia usuan or parts thereof for the production of oil or gas. Under pooled hereunder shall not encount the tanderd provision with flood by love or by the Oil Concervation Dirigins of the Energy, and Minerala Department of the State of New Moraco or by any other levelil eachority for the pool or new in which said land to elected, plus a tolerance of tan yourse. Leave shall file written and designated from time to time and other healths of encays the constitution of wells. Drilling speciations in or production from any part of any such task shall be considered for all purposes, categorite to enter the complete of the state of pooled windows the best of the payment of royalty, as operations unabstant upon or production flows in the time the land described in this leave. These shall be allocated to the land covered by this lanes included in one to the land of pooled windows from the time the land of pooled windows in the unit. The production of allocated thall be considered for all purposes, excluding the payment or delivery of royalty, to be the arter production of pooled minerals from the portion of soil land ownered hereby and included in the same transver as though produced from the land under the toron of pooled windows for the portion of said land ownered hereby and included in the same type-pooled wind designated by leaves, as provided herein, tary be dissolved by leaves by resorting an appropriate instrument in the cannot y where the land in a test that after the completion of a dry hole or the consistion of production on said unit.
- 4. If all the expiration of the primary term there is no well upon sold lend capable of predicting till or gas, but lease has commenced operations for drilling or removing therein, this lease that remove may retain in fivour to leng an operations are processed with no consider of from them 1 M consecutive days, whether much operations to on the same well or on a defired or additional well or well, and if they result in the production of all or gas, as long thereafter as all or gas is produced from sald lend. If after the expiration of the primary term, all wells upon said lend should become incapable of producing for any cream, this lesses shall not terminate if lenses commences operations for additional drilling or for meanting under 100 days thereofer. If any drilling, additional drilling, are removing operations becausing result in production, then this lenses shall remain in that force on long thereofer as not or gas to produced hereunday.
- 7. Lumer that have fine use of all, gas and water from said land, storage water from instant wells and takin, for all operations harconster, and the royalty shall be computed after database you so used. I conservable have the right at my time during or after the expiration of this lease to remove all property and finance planed by leases on said land, hadeling the right to time and reserve all coning. When required by leases, know will have all pick on another artificacy plane depth, and not well shall be drilled within the property of the contract of
- 8. Therigin of other party horsendar may be savigned in whole or in put and the provisions intred shall estand to their heirs, expensers, administrators, necessary and conjunt an observably of the load or in the constrainty of, or rights to receive, reyestion or star-in republic, however consumptioned, shall sparets to enlarge the charge or defining and criminal the injets of least, and as such charge or defining days increased on the conjunction of the control of th
- 9. Shald inno in prevents from complying with any serves or implied conceant of this lesse, or from combating drilling or reporting operations because, or from producing drilling or reporting operations of sacrety or institley to obtain or use equipment or patential, or by operation of force registers, or by may findered or state low or may ender, rule or regulation of gracemental stationary, then while so prevented, lesser's day shall be suspended, and lesses shall not be liable for fiftee to comply therewith, and this less shall be expended while not be subjected as long as forms in prevented by any state cause from conducting drilling or remorking operations or from producing all or gos humanator; and the time while lesses is so prevented shall not be consected against lesses, sayding in this fease to the covering operations.

BOOK 827 PAGE 124 , ...

16. Lower hereby werrests and agrees to desired the thirds said lend and agrees that leaves at its option may discharge my tax, manage poor other has upon said lend, and in the event leaves of the third has a physical to such the whole the regist to enthree eases and to upon you which are made that the the action of a shall be astronged to such the work of this leave owner a less interest in the oil or gaps in all or emp part of said lend than the saids and undivided for simple eases (which the terms is because in because the section of the third than the ease of the action of the said lend of the third than the said lend of the said for the said of the said

[]. Leave, its or his statement, being and energie, that have the right at any time to appeader this leave, it whole or in part, as leaver or his heir, auconness, and and purely or making a release through a release through in the county in which said lead in alternat, the county in which said lead in alternative through the county in which said lead in alternative through the said lead of the proposition that the county is rectived to realty and the said leaves or extension that the county is rectived to realty and are or extension.

Coma States Hamilton

STATE OF TEXAS

COUNTY OF HOWARD

This instrument was acknowledged before me on the 5th day of September, 1997, by Erma Stokes Hamilton, dealing in her sole and separate property.

AMY PRINSPANT MY COMMISSION COVIES January 6, 1906

My c<del>ominissou expli</del> January 6, 1998

ILLEGIBLE

BOOK 827 PAGE 125

#### EXHIBIT "A"

# **ILLEGIBLE**

Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Erms Stokes Hamilton, lessor, and Ameristate Oil & Gas, Inc., lessee:

- Notwithstanding anything contained hereinabove to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby not included in or otherwise allocated to a "well unit" as hereinafter defined, unless lessee is producing oil, gas or other hydrocarbons from any well on the leased premises, or lands pooled therewith, or is drilling upon said lands across the expiration of the primary term as provided for in the body of this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities as in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying more than 100' below the total depth drilled.
- 13. Payment of shut-in gas well royalties will not be permitted to maintain this loase in force for any period longer than two consecutive years, without the written consent of Lessor.

Signed for identification purposes:

From Stokes Hamilton

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STATE OF NEW MEXICO COUNTY OF LEA FILED

or \_\_\_\_\_\_ Manager \_\_\_\_\_ M

and monotone in Bergar

per Companie, Can College Trust

By \_\_\_\_\_\_\_ Depart

SEAL

## EXHIBIT C

District ! PO Box 1980, Hobbs, NM 85241-1980 District II 611 South First, Artesia, NM 88210 District III \* 1000 Rie Brzee Rd , Amec, NM 87410 State of New Mexico

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

Form C-101 Revised October 18, 1994 Instructions on back Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

'Property Code 24469  Surface Location  UI. or lot no. Section Township Range Lot Idn Feet from the North/South Une Feet from the East/West Inc.  Proposed Bottom Hole Location If Different From Surface  UL or lot no. Section Township Range Lot Idn Feet from the North/South Une Feet from the East/West Une  Proposed Bottom Hole Location If Different From Surface  UL or lot no. Section Township Range Lot Idn Feet from the North/South Une Feet from the East/West Une  Proposed Pool 2  "Proposed Pool 2  "West Type Code "West Type Code "Cable/Resery "Loans Type Code "Ground Level Eleven	histrict IV 040 Sawa Pectur	co. Sinta Fe	, NM 37505			•					JAME	NDED REPORT	
TMBR/Sharp Drilling, Inc. P. O. Drawer 19970 Midland, TX 79702    Property Cade	APPLICA	TION	FOR PE	RMIT	ro drii	L. RE-EN	ITER, DEE	PEN	N, PLUGBA	ACK.			
Blue Fig "24"  Surface Location  Vi. or let me. Section  1 Proposed Bottom Hole Location If Different From Surface  "Proposed Bottom Hole Location If Different From Surface  "Proposed Bottom Hole Location If Different From Surface  Ut. or let me. Section  "Proposed Pool t  "Proposed Pool t  "Proposed Pool t  "Proposed Pool t  "Work Type Code  N G R P2946"-34,  "Multiple "Proposed Depth "Formation Receive Pool 2  "Work Type Code  N G R P2946"-34,  "Multiple "Proposed Depth "Formation TMBE/Sharp 11/19/90  12 Proposed Casing and Cement Program  No 12.800" Marrow TMBE/Sharp 11/19/90  11 Proposed Casing and Cement Program  South Secks of Company Entirement Southed South Surface  11/4 133/6 48 450 440 Surface  11 38/6 32 5,000 1,200 Surface  7/A 51/4 17 12.800 1,200 Surface  12 Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional shocks if necessary.  It is proposed to drill a 17%" hole to ±450' with FW, set 13/4" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 5%" casing string will be set and comented back to surface. A 3000 pri annular preventer and 3000 pri dual ram BOP will be used on the intermediate back will be drilled to an approximate TD of 12.800' w/FW mud. The 5/4" casing string will be set and commented back to the intermediate casing as 5,000'. A 3000 pri annular preventer and a 5000 pri dual ram BOP will be used on the intermediate casing as 5,000'. A 3000 pri annular preventer and a 5000 pri dual ram BOP will be used on the intermediate back to the intermediate casing as 5,000'. A 3000 pri annular preventer and a 5000 pri dual ram BOP will be used on the intermediate casing as 5,000'. A 3000 pri annular preventer and a 5000 pri dual ram BOP will be used on the intermediate casing as 5,000'. A 3000 pri annular preventer and a 5000 pri dual ram BOP wil				TM	BR/Sbarp P. O. Dra	Drilling, Inc wer 10970	Inc.						
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M 24 165 35E 660 West 760 South Lea  **Proposed Bottom Hole Location If Different From Surface  **UL or iss no. Section Township Range Lot idn Feet from the North/South time Feet from the Ense/West line Com  **Proposed Feet I  Townsend (Morrow)  **Proposed Feet I  Townsend (Morrow)  **Work Type Code	III as les no.	Seetlan	Yamadin	I same	Las Ida			Ine T	Fort from the	Zam/V	Vont Nee	Course	
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Proposed Pool 2   Proposed Pool 2			¹ Pr	oposed	Bottom	Hole Loca	tion If Diffe	eren	From Surf	face			
Townsend (Morrow)  "Work Type Code "Woll Type Code "Cable/Resery "Lease Type Code "Ground Level Eleves N G R P - 3956-734"  "Multiple "Proposed Dapia "Formation "Contractor "Speed Date No 12.800" Morrow TMB/Sharp 11/19/00  12 Proposed Casing and Cement Program  tiole filts Casing Size Casing weight/feet Sealing Depth Seals of Content Entered TO 17/4 139/6 48 450 440 Surface  11 84/6 32 5,000 1,800 Surface  11 84/6 32 5,000 1,800 Surface  7/4 51/4 17 12.800 1,200 4,800  Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.  It is proposed to drill a 171/5" hole to ±450' with FW, set 134/6" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 89%" casing string will be set and commented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hole will then be drilled to an approximate TD of 12,200' w/FW mud. The 51/4" casing will be set at TD and commented back to surface casing at 5,000'. A 3000 psi annular preventer and a \$500 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a \$500 psi dual ram BOP will be used on the file of my basewise and beled.  Thereby certify that the information gives above to two and complete to the Oil CONSERVATION DIVISION Approved by: OfficialNAL SIGNED BY GABLY SIGNED BY GABLY SIGNED BY Titles SIGNED BY Tit	L'L or let ma.	Section	Towaship	Range	Lot Idn	Feet from the	North/South	ine	Feet from the	East/V	Nest line Coun		
No G R P -3956-394.  "Middiple "Proposed Depth "Formation TMBR/Sharp 11/19/00  21 Proposed Casing and Cement Program  1104-8ize Casing Size Casing and Cement Program  1104-8ize Casing Size Casing weight/feet Setting Depth Sacks of Compant Entensed TOC 171/4 139/4 48 459 440 Surface  11 81/4 32 5,000 1,800 Surface  11 81/4 32 5,000 1,800 Surface  11 1 81/4 17 12,800 1,200 4,800  2 Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional theets if necessary.  12 it is proposed to drill a 171/4" hole to ±450' with FW, set 131/4" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 81/4" casing string will be set and commented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate back to the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate and better.  1 Interest casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing and better.  2 OHL CONSERVATION DIVISION Approved by:  2 OHL CONSERVATION DIVISION Approved by:  2 OHL CONSERVATION DIVISION	Townsend	(Могта»	•	rd Peal I			<sup>11</sup> Prepared Fool 2						
No 12.800' Morrow TMBR/Sharp 11/19/00  21 Proposed Casing and Cement Program    Hole Size   Casing Size   Casing weight/freet   Setting Depth   Secks of Concord   Entinemed TO		ч		Code	1			* *		Ground Level Elevation -3956-3964			
Titles Will be desired to the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional therets if necessary.  It is proposed to drill a 174" hole to ±450' with FW, set 1344" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 84s" casing string will be set and comented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate has intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate in the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate in the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the content of the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the content of t		. •	,	-	- 1	<sup>14</sup> Formetica		-		1 .			
tivic files  Casing Size  Casing weight/feet  Setting Depth  Sacks of Compent  Entirement TOC  17½  13½  48  48  450  440  Surface  11  8½  32  5,000  1,800  Surface  7½  12,800  1,200  4,800  Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional heets if necessary.  It is proposed to drill a 17½ hole to ±450' with FW, set 13½ casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 8½ casing string will be set and semented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate has row hole will be drilled to an approximate TD of 12,800' w/FW mud. The 5½ casing will be set at TD and cemented back to the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer and 5000 psi dual ram BOP will be used on the proventer a	N	10						<u></u>		p	<u> </u>	11/19/00	
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11 8½ 32 5,000 1,200 Surface  T/A 5½ 17 12,800 1,200 4,800  Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional heets if necessary.  It is proposed to drill a 17½" hole to ±450' with FW, set 13½" casing and cement easing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 8½" casing string will be set and commented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hole will be drilled to an approximate TD of 12,200' w/FW mud. The 5½" casing will be set at TD and commented back to the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will													
Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional thects if necessary.  It is proposed to drill a 17¼" hale to ±450' with FW, set 13¼" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 8¼" casing string will be set and semested back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hale will be drilled to an approximate TD of 12,800' w/FW mud. The 5½" casing will be set at TD and comente seck to the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the lift has been supposed by the beautiful that the information gives above is true and complete to the intermediate and being.  OIL CONSERVATION DIVISION  Approved by:  OIL CONSERVATION DIVISION			8%		32		5,000		1,800		Surface		
t is proposed to drill a 174" hole to ±450' with FW, set 134" casing and cement casing back to surface. An 11" intermediate hole will then be drilled to ±5,000' w/brine-cut brine system and an 84" casing string will be set and semented back to surface. A 3000 psi annular preventer and 3000 psi dual ram BOP will be used on the intermediate hole will be drilled to an approximate TD of 12,800' w/FW mud. The 5½" casing will be set at TD and commute seck to the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000'. A 3000 psi annular preventer and a 5000 psi dual ram BOP will be used on the intermediate casing at 5,000' and 11,000' and several DST's are planned.  Thereby carrify that the information given above to true and complete to the only businesses and below.  Approved by:  OIL CONSERVATION DIVISION	7%		514		-	17		0	1,200		4,800		
TIME STEED HEP. II	productive there's if ner it is propose neemed at personnel de A 77A" hole beck to the 177A" hole.  I hereby cert tout of my land of my land.	zone and cessary. ed to dril e hole wi ack to su will be a intermed Mud up.	proposed     a 174 *      il then be     face. A     drilled to a     liste casing     will occur	hole to didiled to 3000 psi approx at 5,000 between	450' with ±5,000' annular primate TD 0'. A 3000 9,000' annular primate TD true and control	FW, set 139 w/brine-cut reventer and of 12,800' w pai annular i 11,000' an	o the blowaut  6" casing and brine system: 1 3000 psi dus  7FW mud. 2 preventer as d several DST	prevolution prevol	ention program ent casing ban in 8%" casing is EOP will be 1/4" casing will 1000 psi dual is planned. ONSERVA	m, if a ek to se string used o il be se ram Be	ny. Us  urface.  will be on the i  t at TI  OP will  N DIV	An 11" a set and antermediate hole. and consented be used on the	
TIME SECTION SET IN		11	1	<u>D. 7</u>	uce	lina	Approved by:	UHIL			1		
Titles Vice Freedom Vice Preedom Dates			_ <u></u> _						FIELD ARP.	Ĥ			
	Titles			Approved Dates NOV 2 2 2000 Exploration Doses									
Dete: November 16, 2000 Phones (#15) 679-6150 Conditions of Approval t  Attracted C	Date:	r 14, 2000	1000 Phones (115) 677-5040			Conditions of Approval t Attached Cl					14		

# **EXHIBIT D**

## **EXHIBIT E**

# **ILLEGIBLE**

mile name and this figh day of March, 2001 between the delice fraction with the cold and parametr, where address is S. S. Seg 1115, Ocean, Prope 1694) because eatled lesses (whether one or march la halfs for her 165, Marches one or march). In halfs for her 165, Marches one or march

1. Entery, in consideration of NOV 1000 COMM DELINE in heat paid, receipt of thich is here estanteded, and of the republics became provided and of the appearance of the laster betain contained, hereby greats, leaves and late audastively man leaves the two propose of investigating, exploring, prospecting, drilling, and operating for and producting oil and gas, injecting gas, untage, , than fluids, and air into subsection state, leging physicians, spacing oil, building bushs, rectange, talephone lines, and other structures and things thereon to protect, core, tabe care of, trust, process, stare and transport said ainstain, the full-ring described land in §42 County, November, to-wills

Tomoble 16 Smeth, Sampe 26 Sant, V.M.P.M. Sorblam 13: 80/6

Southern 23: 20/4 Southern 24: 20/400/4, 20/400/4 Southern 25: 20/4 Southern 26: 20/4

**Said land is obtinuised to comprise <u>720,00</u> caree, whether it carriely comprises** more or loss.

- 2. Subject to the other provinces burch contained, this lease shall comes in force for a term of three (2) years Section 1", 2001 (called Telmay term") and so long thermatics so cil or que is province from each land or from test within each land to province.
- 2. The population to be paid by income area (a) as all, and other liquid hydronechess served at the unit, throughting [9/1696] of their protects and served from sold land, some to be delivered at the units or to the credit of leaser in the populate to which the units may be extended to be a populated per at other questions attended from sold land and most off the produces are used in the manufacture of quantum at other produces, the maximal values at the unit of their populates [1/1696] of the que used, purefeld that on que sold on at off the produces, the maximal values at the unit of their produces are used in the numbers of quantum on solar (a) and of the produces, the maximal values at the unit of their produces are used in the solar flowed that on que sold on at off the produces, then the land of the produces and the produces the produces, then the solar produces and there is a que used of the solar off the solar produces and the solar of the produces of the solar off the produces of the tendent of the solar off the solar off the solar off the solar of the solar of the solar of the solar off the solar of the solar
- 4. This is a pold-up lance and leaves shall not be obliqued during the primary term beard to commons or continue my operations of whitesowns character or to make any payments become in order to make in this leave la force during the primary terms however, this provision is not intended to relieve leaves of the obliqueion to pay repulsion on coloni production payment to the provision of Paragraph 2 harval.
- A. Leaves in hereify granted the Right and person, from time to time, to peak or continue this leaves, the land covered by the or may part or herizon theorem with may other land, leaves, mineral artestes or parts thereof for the production of oil or que. But he became that me and the second the oriental projection such threat or by the All Conservation the Rivers of the Renty and Minerals Department of the River of the Hardon or by any other lands, achieving for the person. Leaves shall like anticology for the person or man in which and land is altered, plans a telessor of two persons. Leaves shall fill a uniform unit designations in the country in which the previous are leavest of such that my be designated from this to the order of solder or after the ampletion of units. Indicate operations on or previous from one parts of any such make the land covered to the land of the land of the lands of the land of the land of the lands of the lands of the land of the land of the lands of the lands of the lands of the land of the land of the lands of persons of persons of the land of the unit lands of the land of the lands of t
- 6. If at the espiration of the princey team there is no well upon said load expelse of producing oil or gos, has been been commerced operations for drilling or recording thereon, this leave shall remain in Super so long as expectation are personned with no exceeding of mrs. then 60 concentive days, whether such spectation be on the case well or as a different or collisional well or wells, and if they remain in presents of oil or gas in problems from oald lend. If, after the expiration of the patency tens, all wells quested lend chaild become inequality of fer any course, this leave shall not become if leaves companies of collisions for collisions described drilling at few securities within 60 days thereafter. If any drilling, editional drilling, or providing operations because the probability, then this leave shall remain in full force or long thereafter as oil or gas is probable to receive.
- 7. Become shall have from one of oil, gap and tester from sold land, enough vator from locour's unlin and tester, for all questions have made on the sopular shall be computed after defecting any po used. Lesses shall keep the single of any time depints or after the explosion of this lesses to evapore all property and finitures placed by lesses and land, leaderthing the single to dear and assesses all entire, the expectation by lesses, lesses with here they all place in and land, leader below containey place depth, and so well shall be decilled within two function flows (190 ft.) of any residences on hom new on held land within lesses () towards. Lesses shall have the privilege, at his risk and company, of unlar gap from any gap well so said land for stores and inside lights in the principal dealling theorem, and of any complete gap not meet mended for operations have made.
- 4. The signes of either perty barender say to assigned in thele of in part and the provisions becoef that! the their being constitute, establishment, successes and earliest but no dange in the customic of the land.

BOOK 1084 FAME 282

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or in the covarship of, or rights to receive, regulation or chains requition, become encomplished deall operate to mineryo the chilipations or distinct the rights of income and to such change or division whill be blooking upon leaves for my propers with incomplaint to a part is now also been presented by merifical mall of leaves planning plans of bisiness with acceptable instances or certified aspise threated constituting the chain of title from the original leaves. If my such change in concenting comes through the death of the amount leaves may be title option, pay or breakes my applicant or chain a pupilities in the new of the decased or to his ortake or to his below, assessment or child-activate with such as in the power of the decased or to his ortake or to his below, assessment or additional terms own. In antiquement of this leaves is what or in part chain, to the custom of make antiquence, relieve and dischange leaves of one distinguished between the little or the decast of the property of the property or death of replaint or all leaves or satisface or fail to emply with any of the provisions of this leave, such default stall and affect this leaves leaved as all covers a part of sold lands upon which leaves or any analyses thereof chall properly comply or make seals proposed.

- 8. Should leaves be provented from emplying with any express or implied coverant of this leave, or from conducting drilling or proscring equations becomes, or from producing oil or gas becoming by resent of searching or including to obtain at two equipment or netarist, or by equation of from enjoyer, or by any return for state law or over, halo or reputation of presuments anotherity, then this to prevented, leaves that he acquired the searching the end of the leaves that he can expected, and leaves that he attended this can so leave to leaves in prevented by my such encountry theoreting drilling or resecting equations or from producing oil or per betweeneds; and the time while leaves in or prevented shall not be constant equipment of this leave to the contrary provides toning.
- 16. Leaver bayely wasterns and agrees to defend the vitte to said land and agrees that leaver at is spiten my distinct my ten, excludes an other lies upon said land, and is the event leaves dans so it shall be educated to such lies with the adjet to endows some and to apply populate and abut-in asymitics populate because to make lies with the adjet to endows some and to apply populate and abut-in asymitics populate because in the old only of the abut overers a less inserted in the old only of in all or any part of said land them the endow on undivided for simple extent thinked leaver's interest is bestin openfield or mel that the symiton, dust-in expectly, and other payments, if only attends fame any part of the third lates cover lies than such full interest, shall be paid only in the populating which the interest therein, if any overpret by this leave, bears to the chair and undivided for simple extent therein. Similarly upon the party of the parties unsating the same.
- il. leaves, lie or his successors, takes out arrives, shall have the right of any time be maximuler this leave, in their or in part, to leaves or his heles, consessors, and analyse by delivering or mailing a micros thereof to the leaves, or by plenting a micros thereof of recent in the county is thich said less is attented; thereupen leaves shall be relieved from all shipstimes, expressed or implicit, of this appropriate the terropy or surroundered, and therefore the shall be relieved in the proportion that the anguage covered hereby is reduced by said subsect or releaves.

#### ADDITIONAL PROFESTORS

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- 14. Serviciteteraling such berminstien, Success shell have a continuing sight of way and encount on, even and access all the land covered hareby for the construction, use, unintensor, replacement, or secured of pipolisms, peach, talaphone lines, electric lines, task and exher facilities for its operations becomes on last sunsising covered by this lease following such tensionties.
- 15. This all and you hasso is submittants to that certain "Prior lease" dated Report \$4, 197, affective Dramber 7, 1977, remoded in Book \$47, page 147, Inc County Remode, or cannot by instrument dated prior lease in the case of the ca

metal the day and your flest above selectes.

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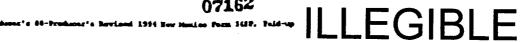
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### **EXHIBIT F**

4.



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tens assessment made this firth day of Hersh. 1901 between first Builden, dealine with her only and execute supervise, where address is P. S. Sen 1979. His Section, June 1971, herein called leaves (whether was or more) and desire P. Builden, P. B. Builden, Types 1871, leaves

1. Second, in consideration of THE RMS CHIMS DELIVED in basi paid, receipt of which is here astronicated, and of the repullitie based provided and of the aproximate of the lesses based contained, bereip genera, Joseph and late contained; per late purpose of investigating, equivalent, perspecting, critising, and specting for and providing the and providing the state of the purpose of investigating, equivalent, perspective, driving physical contained and provided and provided contained to the product, core, take core of, breakly provided, according to the product, core, take core of, breakly provided, according to the product, the state of the provided land in [62] County, then thereon, to-valt;

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- 2. The population to be paid by lasson area in) on all, and other liquid hydrocontens moved at the wall, threeplayerable [3][6][6]] of their persistent and sevent from said land, some to be delivered of the walls or to the arealist
  of lanner in the pipulians to which the walls may be connected [6] on you, inclinding confident gas or wither question
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- 4. This is a paid-up leave and leaves whall not be obliqued during the primary thin hereof to assume spatians only operations of thesesorous characters as to make any payments becomes in autist to militain this le in decre during the primary terms becover, this provision is not intended to entire leaves of the chilgation yet expelling as autistic permentic pursuant to the previsions of largerest 3 hereof.
- a. Larson is hareby gramed the right out power, from time to transpage a several or suchian this lears, the land around by it or any part or horizon through outs any other lead, leaves, mineral estates or parts thereof for the guardenties of oil or yes. Units penies horowater shall not exceed the estated portation unit fined by law or by the till Conservation livinians of the Bonry and Minerals Superturns of the State of New Horizo or by any other leads to the penies. However, the till conservation livinians of the State of New Horizon or by the transparent in the course in this and is attached, plus a telement of two pensent. Leaves shall file unittees unit designations in the course in this the present and such units tay by designated from the telement eacher before or after the completion of walls. Exiling operations on an probabilities of any such unit shall be considered for all proposes, among the popular of superties, or operations considered upon or probabilities from the land described in this leave. There shall be ullimated to the had covered by this leave deducting any used in leave or mits operation, which the per oil or one conseque in the land covered by this leave deducting any unit in leave to that inches of mericon serves in the units. The penterties or elicated shall be considered for all purposes, including the papered or delivery of soyulty, to be the entire production of penies along the product for all purposes, including the papered or delivery of soyulty, to be the entire production of penies along the tensor of the leave. May penies unit the County that the last is altered at any time after the completion of a dry hole or the consection of production on sold whit.
- 6. If at the equipmies of the primary term there is so well upon said land emphis of producing all or gas, but leaves has communed specialnes for drilling or prescring thereon, this leave shall remain in force so long as operations are presented with so consistent of more than 44 commentive days, whether such operations in on the committee or of different or additional will or wells, and if they result in the predictions of all or gas, to long which are the operation of the primary tun, all walls upon said land should become insequable of producing for any cases, this leaves shall not tentiante if invoce communes operations for existing drilling or for consisting within 64 days thereafter. If any drilling, additional divinities, or remaining quantities becomes remain to producing the consisting quantities becomes remaining the this leave shall remain in full force so long thereafter at all or gas is produced becomes.
- 7. Issues that here five two of oil, gut and write from said lend, among water from lacent's walls and tenter, for all operations hereunies, and the sequity shall be amused after defining any so word. Issues shall here the night at any time desire, and the sequence of this lacen to marry all property and findense placed by lacense and land, laceleding the night to deer and reserve all enters. Then required by lacent, lacent place they all pipe limit on militarity lacen will have all oping. It has not lacent a marry place depth, and as well shall be deliked within two headens fort (100 fc.) of my praidness on here now and lace visitant lacent's consent. Sames shall have the privilege, at his sink and visitants, of the privilege, at his sink that privilege, of the privilege, at his sink that privilege, and of any despite gut not need that the specialized that ing the same of any despite gut not need that the specialized that the privilege, and of any despite gut not need that the specialized that the privilege, and of any despite gut not need that the specialized that the specialized that the privilege that the privile
- The rights of either party harmeter may be medigant in whole or in part and the provintees beyond shall be to whole being, amendary, administratory, supplement and assignment but no absorpt in the amenably of the land

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or in the concentration of, or nights to receive, requisites or shot-in topolities, however assumplished chall operate to missage the chilestians or distains the rights of lessons and not such charge or division shall be bisiling upon lesson for any propers until 18 days offer lesson has been formissed with necessary principal plane of business with necessarily instruments or contribute explore thereof conditions while of the county, lessons may, at the option, pay or business only not charge in committie county that desire of the descend or to bid 'extent or to bid heises, or to be the passes or distributed with critical conditions on the lesson has been functioned with critical conditions be the passes or to the passes of the passes within an in the condition of the lesson in while or in part chall, to the cutton of our the passes of shell fall or make descend an expensive of the lesson in while or in part chall, be the cutton of orthouse of stell fall or make descend in the popular of the proportionate part of repairs or another make an excellence or indicate the comply with any of the provisions of the leases or analyses of shell and allows this leases or analyses or fall to describe their falls.

- 9. Should leave be prevented from complying with tray expense or implied covariant of this leave, or Error conducting deliling or revening operations becomes, or from probating all or que becoming by comment of secondary or installing to obtain or was equipment or questrial, or by operation of faces expense, or by my federal or state law or may enter, as by my federal or state law or may enter, and or expenses of day that he entered the or provided, and leaves shall not be liable for failure to comply thereafth and this leave shall be extended while only on leaves in providing to a leaves in providing to great ones from probating all or go becomes in the time while leaves is or prevented shall not be constal option, engineer in this leaves to the content probability.
- 10. Leaver hareby uncreate and opens to defined the title to cold land and agrees that leaves at le option my discharge any ten, mertyage or other lies upon acid land, and in the event leaver done so in shall be subsequent to make its middle to account to apply regulates and shat-in separate payable horsesfur termed actifying some. Which impairment of leavest's cipids under the variety, if this leave events in the oil are my part of said land then the action and midvided for aimple others before leavest in the oil and specified or only than the applicate, shat-in expert, of other squares, if my, covering from any part as to which this leaves average leave than some field lateause, the child and only in the proportion which the industry therein, if my, covered by this lateau, bears to the paid only in the proportion which the industry therein, if my, covered by this lateau, bears to the paid only in the proportion therein. Health only one or more of the parties among above as leavest fail to annuate this leave, it shall according upon the party or parties assenting the ease.
- ii. Jensen, its or his currectors, heist and easigns, shall have the right at my time to encruning this leave, in their or in part, to leaves or his index, encruneum, and easigns by delivering or stelling a release theyred to the leaves, or by plantag a mister themsel of ground in the manay in this said leaf is elitated. Thereupen leaves that is altered from all children, expressed or implied, of this agreement so to detroys so currenteed, and thereafter the delives maybely psychia homeories shall be exhaud in the proposition that the accords covered horsely in submodely and anison or releaves.

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- 11. The Correspond content hillegrows, the law deliverates are all energies due histories or provide and allested to equals and other contents and allested to equals and other contents are allested and an experience of the contents are appeared to the contents and an experience of the contents are appeared to the content and an experience of the contents are appeared to the content and and and all the contents are appeared to the contents and and all the contents are appeared to the contents and an experience and and an experience are appeared to the contents and and an experience are appeared to the contents and and are appeared to the contents and an experience are appeared to the contents and an experience are appeared to the contents ar
- 14. Sevelihetenting such termination, Second while here a continuing night of may and consume an over and converse all the land several hereby for the construction, was, uninteressen, explorment, or reserval of pipelines, mean, telephone lines, along lines, test and other Socilizion for its operations horometer on Land sensialing correctly by this losse Stilesing med termination.
- 18. This all and we leave is selection to that cartain "Trice Lacor" dated hapart 23, 1977, affective December 7, 1977, presented in Sect. The County Remarks, as assessed by instances dated from Lacon 1984, presented in Sect. The County Remarks, int only to the orient that half from Lacon Lacon 1984, a valid and orbital-laced of the size lacon lacon, the only to the orient that half and one lacon is the cult and one lacon lacon in the size of the cult and one lacon that the primary term hamp? deal is contained until the third (27) emissions of this cil and one lacon must fallening application of the contained development provision contained in what therepore the 13 on Bubble '95' emissions of the Ricer Leave, provided that is no event shall be primary term become only lacon than the 15' emissions of the trick lacon provision of the lacon. Recentlant of this cil and one lacon by Leaver shall never be constanted on a restification of private pl the fair lacon. Leaver specifically agrees us to extend the any agreement of any family until coloni at medians the primary term or the continuous development previous of the Reiner Leaver, or audity my of the coloning previous of the Reiner Leaver.

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or in the commands of, or nights to receive, requiries or statt-in teptities, because accomplished shall spenses to misape the obligations or division the nights of leastes and so such change or division shall be binding upon leases for my propose until 16 days offer leases has been furnished by certified sail, at leases's principal planes of business with acceptable instruments or especial explor theorem exceptable quite the chain of this form the original leases. If my such change in commission energy the death of the open, leases may at the option, pay at tenden my republics or chain-in regulation in the passe of the decreased or to his leases are national with except or the helicity, pay at the property or the options of the property of the contract or the part whall, to the cutout of such analysment, railors and discharge leases of any chipations become mid. I seems at another a part of part or parts are part of the life of the option of the property of the property of the complex of the leases at any conjugate or that is the payment of the properties of the lease, such default that he comply with any of the properties of this lease, such default that had been anythe leases of many default comply one path and any part of said leads upon which leases or my analyses thereof shall property one path as the payments.

- 9. Should Leave be proveded from emplying with any express or implied coverage of this leave, or from explorating delibling or remaining depositions becoming, or from probability to check or providing delibling or remaining depositions of secondary or leaves of five majourn, or by any referred or resolution of fives majourn, or by any referred or resolution of fives majourn, or by any referred or resolution of fives and entherity, then while or provided, hence of this their day that the suspended, and leaves deall not be liable for fedicary to comply these this or providing operations or from and a leave of the providing of the suspended of the suspended of the suspended of the suspended of the leaves to the content of the leaves in an provided shall not be constant option leaves, anything in this leaves to the content provided that leaves the content provided that the content provided that leaves the content provided that the content provided tha
- 10. Leaner hearly uncrease and agrees to defend the title to said last and agrees that leaned at is option my discharge one tax, mertups or other lies upon said lead, and in the event leaves done so it shall be enterpress to each lies with the night to endows some and to apply repulsies and shall acquise populs havender because in the all and got in all or eary pays of said lead that the maintened out univided for aimple extract farther leasen's insense in herein apostice or until then the explicit, dust-in repulsive of exists therein apostice or until then the explicit, dust-in repulsive, if any, convoing from any part on to which this leaves here then much fail interest, chall be paid only in the proportion which the interest therein. If any, convoid by this leave, bear to the pink of only convoid by this leave, bear to the pink of only convoid by this leave, bear to the pink of the simple extent therein. Simile only one or more of the parties mental above as leaves fail to asseste this leave, it shall arrectholess be hinding upon the party or parties unesting the same.
- II, leaves, its or his recreases, helps and earlies, shall have the right at any time to encrudes this leave, in while or in part, to leaves or his holes, excesses, and earlies by delivering or melling a release thereof to the leaves, or by plantay a milese thermal of record in the enemy in which said leaf is attenued thereogn leaves that he relieved from all chilaptions, superseed or implied, of this agreement so to accord or accordance, and therefore myself papels becaming shall be reduced in the proportion that the accordance reviews hardly in reduced by said release or releases.

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- 13. The Consequent of epitembility proper, this term deliverture on all assessment the histoid is a quoting expected, with all establish a quoting expected, with all establish and published and published the feether of terminates; is, is the destablished and the feether of terminates; is, is the destablished and the feether of terminates; is, is the destablished and the feether of the feether of terminates; is, is the destablished and the feether of th
- 14. Establishmenting such terminables, Econor shall have a continuing sight of any and consent as, over and consent all the land covered become the construction, and, undersoon, replacement, or present of physician, reads, beinghess lines, elected lines, test out other facilities for its operations becomes on land constaining covered by this lines fallowing such termination.
- 15. This cil and one income is subscribed to their success. "Trine lease" dated Report 15, 1977, activative Soundary 7, 1977, proceeded in Sort 277, page 125, les County Remodel, as consiste by independent dated processes in Sort grape \_\_\_\_\_\_\_. Son County Remodel, as consiste by independent dated \_\_\_\_\_\_ page \_\_\_\_\_\_. Son County Remodel, and only only other state that cold foliar lease is summary a valid and consistely oil and one lease. Severithetending any organ porticions of this cil and gas lease, the consistency county date of this cil and gas lease must foliately equipments of the ventionary development provision consistency of the 13 on Stately type otherwise the Scient lease, provision that the principle of the Scient lease, provision of this cil and gas lease. Beautien of this cil and gas leases by Sanour shall never be sunstand on a sentile of the Scient of the Scient lease, as a smalley capt on the count labor any operations and form that must be existed of the Scient lease, as and the coloring provisions of the Scient lease, as and the coloring provisions of the Scient lease, as and the coloring provisions of the Scient lease, as and the coloring provisions of the Scient lease,

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#### RATIFICATION

STATE OF NEW MEXICO ) COUNTY OF LEA

#### KNOW ALL MEN BY THESE PRESENTS:

For and in consideration of the premises and for other good and valuable consideration the sufficiency of which is hereby acknowledged. Tom Stokes and John David Stokes (hereinefter referred to as "Lessor") whose mailing address is PO Box 932. Ozona, Tessas 78943 does hereby adopt, ratify and confirm that certain oil and gas lease dated March 27, 2001, executed by Erma Hamilton covering the following described property in Lea County, New Mexico, to-wit:

Township 16 South, Range 35 East, N.M.P.M.

Section 13: SEA

Section 23: SE/4

Section 24: NW/45W/4, NW/4NE/4

Section 25: NW/4 Section 26: NE/4

a copy of which is recorded at  $\underline{n}_1$  1084  $\underline{p}_2$  285 . Lee County, New Mexico (the "Lease"), in all its terms and conditions and acknowledge and agree that as of the essecution of this instrument that the Lease is a valid and substitting oil and gas lease binding upon Lessor to the same extent as if Lessor had executed the Lesse in the capacity harel; stated.

For the same consideration, Lessor does hereby grant, lesse and let exclusively unto James D. Huff, whose maling address is PO Box 705, Mineola, Texas 75773, the lands covered by the lease on the same terms and conditions as contained in the

This instrument shall trure to the benefit of the parties hereto, there respective heirs, successors, and assigns.

EXECUTED as of the date set forth in the acknowledgment below, but EFFECTIVE for all purposes March 27, 2001.

LEBBOR:

ACKNOWLEDGEMENT '

STATE OF TEXAST COUNTY OF

This instrument was acknowledged before me this 2001 by Tom Stokes and John David Stokes.

Notary Public in and for the State of 12 Printed Name: 12010, CHANDED Commission expires: 9-21-2004

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