

YATES PETROLEUM CORP.
LIVINGSTON RIDGE AREA
SEC. 2 T22S - R31E
PROPOSED LOCATIONS
 SCALE : 1" = 2000'
 EXHIBIT "1"

YATES PETROLEUM CORP.
 BEFORE THE COMMISSION
 NMOCD CASE NOS. 10446-10449
 DATE: 09/09/92 DE NOVO
 EXHIBIT NO. /

Submit to Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

API NO. (assigned by OCD on New Wells)	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. V-2705	
7. Lease Name or Unit Agreement Name Graham AKB State	
8. Well No. 3	
9. Pool name or Wildcat Undesignated Lost Tank Delaware	
10. Proposed Depth 8500'	
11. Formation Delaware	
12. Rotary or C.T. Rotary	
13. Elevations (Show whether DF, RT, GR, etc.) 3539' GR	
14. Kind & Status Plug. Bond Blanket	
15. Drilling Contractor Undesignated	
16. Approx. Date Work will start ASAP	
17. PROPOSED CASING AND CEMENT PROGRAM	
SIZE OF HOLE	EST. TOP
17 1/2"	Circulate
11"	Circulate
7 7/8"	Tie Back

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:
 DRILL RE-ENTER DEEPEN PLUG BACK

b. Type of Well:
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. Name of Operator
 Yates Petroleum Corporation

3. Address of Operator
 105 South Fourth Street, Artesia, NM 88210

4. Well Location
 Unit Letter B : 660 Feet From The North Line and 1650 Feet From The East Line
 Section 2 Township 22 South Range 31 East NMPM Eddy County

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Approximately 4500' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented to tie-back to the 8 5/8" casing, perforated and stimulated as needed for production.

MUD PROGRAM: Native mud to 850'; Brine to 4500'; cut Brine/Starch to TD.

BOP PROGRAM: BOP will be installed at the offset and tested daily for operational.

Letter has been sent to N.M. Potash Corporation.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE Clifton R. May TITLE Permit Agent DATE 11-25-91
 TYPE OR PRINT NAME Clifton R. May TELEPHONE NO. 748-1471

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

YATES PETROLEUM CORP.

BEFORE THE COMMISSION

NMOCD CASE NOS. 10446-10449 9

DATE: 09/09/92 DE NOVO

EXHIBIT NO. 2

Submit to Appropriate District Office
State Lease - 6 copies
Fee Lease - 5 copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells) _____

5. Indicate Type of Lease
STATE FEE

6. State Oil & Gas Lease No.
V-2705

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:
DRILL RE-ENTER DEEPEN PLUG BACK

b. Type of Well:
OIL WELL GAS WELL OTHER
SINGLE ZONE MULTIPLE ZONE

2. Name of Operator
Yates Petroleum Corporation

3. Address of Operator
105 South Fourth Street, Artesia, NM 88210

4. Well Location
Unit Letter G : 1980 Feet From The North Line and 1050' Feet From The East Line
Section 2 Township 22 South Range 31 East NMPM Eddy County

7. Lease Name or Unit Agreement Name
Graham AKB State

8. Well No.
4

9. Pool name or Wildcat
Undesignated Lost Tank Delaware

10. Proposed Depth
8500'

11. Formation
Delaware

12. Rotary or C.T.
Rotary

13. Elevations (Show whether DF, RT, GR, etc.)
3552' GR

14. Kind & Status Plug. Bond
Blanket

15. Drilling Contractor
Undesignated

16. Approx. Date Work will start
ASAP

17. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2"	13 3/8"	54.5#	850'	850	Circulate
11"	8 5/8"	32.0#	4500'	2500	Circulate
7 7/8"	5 1/2"	17 & 10#	TD	As warranted	Tie Back

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Approximately 4500' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented to tie-back to the 8 5/8" casing, perforated and stimulated as needed for production.

MUD PROGRAM: Native mud to 850'; Brine to 4500'; cut Brine/Starch to TD.

BOP PROGRAM: BOP will be installed at the offset and tested daily for operational.

Letter has been sent to N.M. Potash Corporation.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE Clifton R. May TITLE Permit Agent DATE 11-25-91
TYPE OR PRINT NAME Clifton R. May TELEPHONE NO. 748-1471

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate District Office
State Lease - 6 copies
Fee Lease - 5 copies

Engineering, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells)
30-115-26973

5. Indicate Type of Lease
STATE FEE

6. State Oil & Gas Lease No.
V-2597

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:
DRILL RE-ENTER DEEPEN PLUG BACK

b. Type of Well:
OIL WELL GAS WELL OTHER
SINGLE ZONE MULTIPLE ZONE

2. Name of Operator
Yates Petroleum Corporation

3. Address of Operator
105 South Fourth Street, Artesia, NM 88210

4. Well Location
Unit Letter N : 660 Feet From The South Line and 2310 Feet From The West Line

Section 2 Township 22 South Range 31 East NMPM Eddy County

7. Lease Name or Unit Agreement Name
Flora AKF State

8. Well No. 1

9. Pool name or Wildcat
Undesignated Lost Tank Dela

10. Proposed Depth 8500'

11. Formation Delaware

12. Rotary or C.T. Rotary

13. Elevations (Show whether DF, RT, GR, etc.) 3526'

14. Kind & Status Plug. Bond Blanket

15. Drilling Contractor Undesignated

16. Approx. Date Work will start ASAP

17. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2"	13 3/8"	54.5#	850'	850	Circulate
11"	8 5/8"	32.0#	4500'	2500	Circulate
7 7/8"	5 1/2"	17 & 20#	TD	As warranted	Tie Back

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Approximately 4500' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented to tie-back to the 8 5/8" casing, perforated and stimulated as needed for production.

MUD PROGRAM: Native mud to 850'; Brine to 4500'; cut Brine/Starch to TD.

BOP PROGRAM: BOP will be installed at the offset and tested daily for operational.

Letter has been sent to N.M. Potash Corporation.

APPROVAL VALID FOR 180 DAYS
3/26/92
UNITED STATES GEOLOGICAL SURVEY

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVITY ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signature: Clifton R. May TITLE: Permit Agent DATE: 11-25-91

TYPE OR PRINT NAME: Clifton R. May TELEPHONE NO.: 748-1471

(This space for State Use) ORIGINAL SIGNED BY
MIKE WILLIAMS
SUPERVISOR, DISTRICT I9 TITLE: _____ DATE: MAR 26 1992

APPROVED BY: _____

CONDITIONS OF APPROVAL, IF ANY:

1378-348-542

Submit to Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells)
 38-115-2097-1

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.
 V-2597

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:
 DRILL RE-ENTER DEEPEN PLUG BACK

b. Type of Well:
 OIL WELL GAS WELL OTHER
 SINGLE ZONE MULTIPLE ZONE

2. Name of Operator
 Yates Petroleum Corporation

3. Address of Operator
 105 South Fourth Street, Artesia, New Mexico

4. Well Location
 Unit Letter K: 1980 Feet From The South Line and 2310 Feet From The West Li
 Section 2 Township 22 South Range 31 East NMPM Eddy County

7. Lease Name or Unit Agreement Name
 Flora AKF State

8. Well No.
 2

9. Pool name or Wildcat
 Undes. Lost Tank Delaware

10. Proposed Depth
 8500'

11. Formation
 Delaware

12. Rotary or C.T.
 Rotary

13. Elevations (Show whether DF, RT, GR, etc.)
 3528'

14. Kind & Status Plug. Bond
 Blanket

15. Drilling Contractor
 Undesignated

16. Approx. Date Work will start
 ASAP

17. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2"	13 3/8"	54.5#	850'	850	Circulate
11"	8 5/8"	32.0#	4500'	2500	Circulate
7 7/8"	5 1/2"	17 & 20#	TD	As warranted	Tie Back

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Approximately 4500' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented to tie-back to the 8 5/8' casing, perforated and stimulated as needed for production.

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Letter has been sent to N.M. Potash Corporation.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCT ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE Clifton R. May TITLE Permit Agent DATE 1-21-92
 TYPE OR PRINT NAME CLIFTON R. MAY TELEPHONE NO. 748-147

(This space for State Use) ORIGINAL SIGNED BY
 MIKE WILLIAMS
 SUPERVISOR, DISTRICT II
 APPROVED BY _____ TITLE _____ DATE MAR 26 1992

CONDITIONS OF APPROVAL, IF ANY:

EXHIBIT 3

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

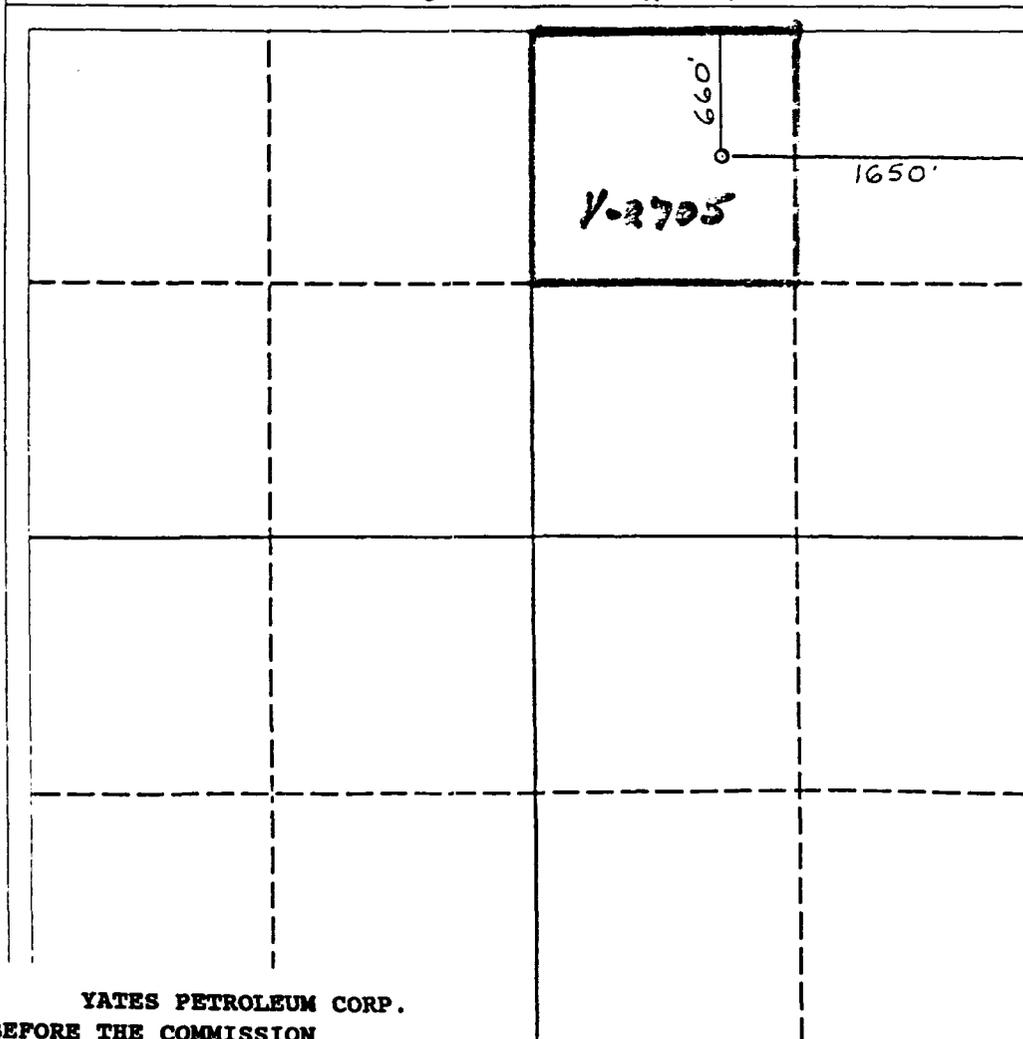
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION		Lease GRAHAM AKB STATE		Well No. 3
Unit Letter B	Section 2	Township 22 SOUTH	Range 31 EAST	County EDDY COUNTY, NM
Actual Footage Location of Well: 660 feet from the NORTH line and 1650 feet from the EAST line				
Ground level Elev. 3539.	Producing Formation DELAWARE	Pool UNDERS. LOST TANK DELAWARE	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 Yes No If answer is "yes" type of consolidation _____
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Clifton R. May

Printed Name
Clifton R. May

Position
Permit Agent

Company
YATES PETROLEUM CORPORATION

Date
November 25, 1991

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
NOVEMBER 23, 1991

Signature & Seal of Professional Surveyor
Clifton R. May

Certificate No.
5412

NM PE&PS NO. 5412

YATES PETROLEUM CORP.
BEFORE THE COMMISSION
NMOCD CASE NOS. 10446-10449
DATE: 09/09/92 DE NOVO
EXHIBIT NO. 3

2310 2640 2000 1500 1000 500 0

EXHIBIT 3

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease GRAHAM AKB STATE		Well No. 4
Unit Letter G	Section 2	Township 22 SOUTH	Range 31 EAST	County EDDY COUNTY, NM	
Actual Footage Location of Well: 1980 feet from the NORTH line and 1650 feet from the EAST line					
Ground level Elev. 3552.	Producing Formation DELAWARE		Pool UNDES. LOST TANK DELAWARE	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

OPERATOR CERTIFICATION

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

Signature: *Clifton R. May*

Printed Name: **Clifton R. May**

Position: **Permit Agent**

Company: **YATES PETROLEUM CORPORATION**

Date: **November 25, 1991**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes, actual surveys made by me or under my supervision, and that the same is true or correct to the best of my knowledge and belief.

Date Surveyed: **NOVEMBER 22 & 23 1991**

Signature & Seal of Professional: *[Signature]*

Professional Engineer
NEW MEXICO
REGISTERED PROFESSIONAL ENGINEER
5412
CERTIFICATE NO. 15410 SURVEYOR
NM PE & S 880

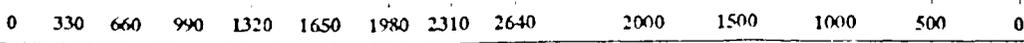
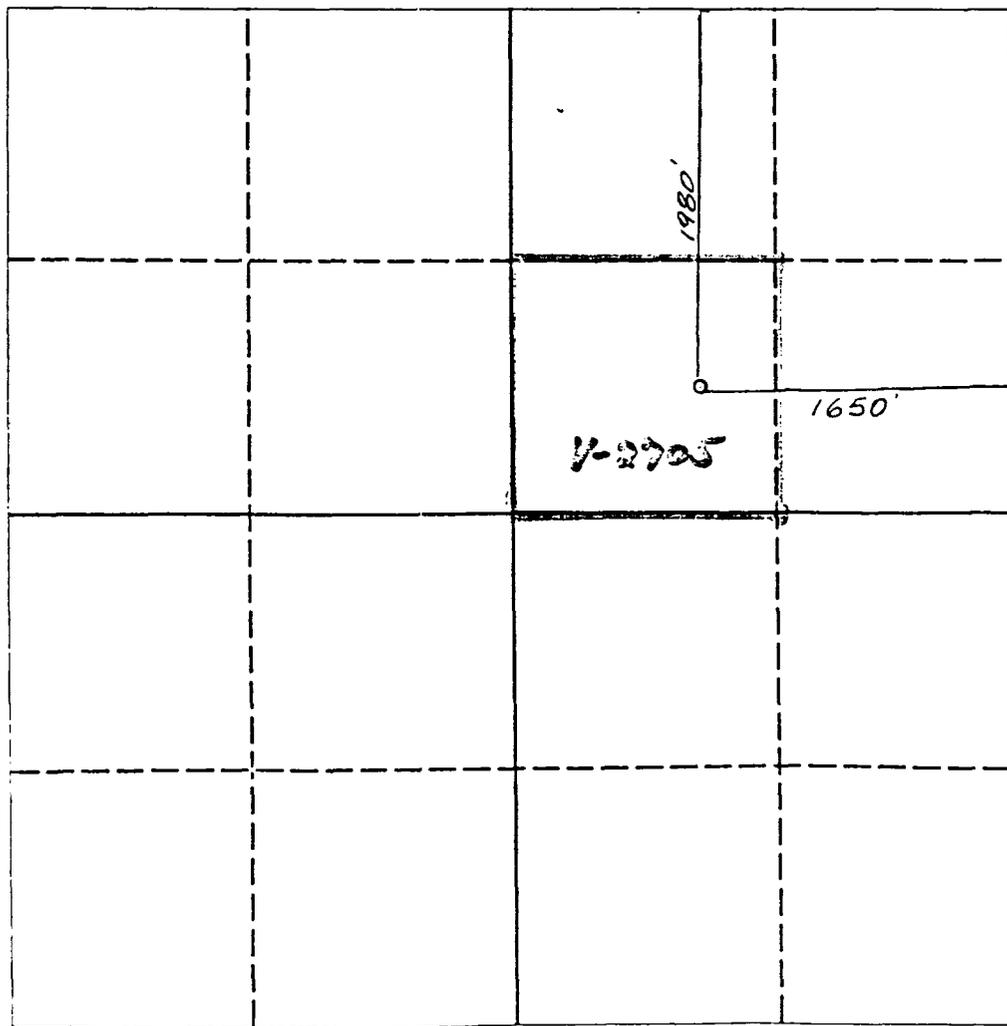


EXHIBIT 3

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

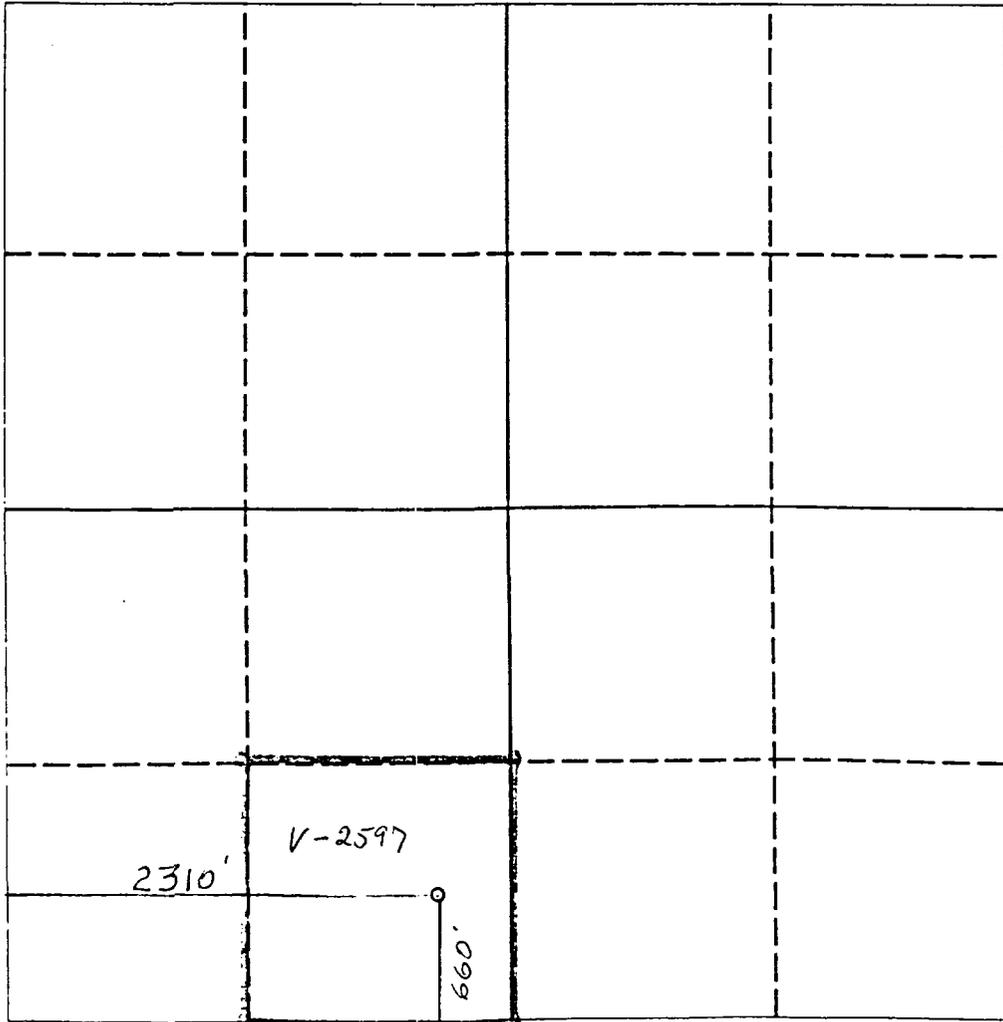
Operator YATES PETROLEUM CORPORATION			Lease FLORA AKF STATE		Well No. 1
Unit Letter N	Section 2	Township 22 SOUTH	Range 31 EAST	County EDDY COUNTY, NM	
Actual Footage Location of Well: 660 feet from the SOUTH line and 2310 feet from the WEST line					
Ground level Elev. 3526.	Producing Formation DELAWARE		Pool UNDES. Lost Tank DELAWARE	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: *Clifton R. May*

Printed Name: Clifton R. May

Position: Permit Agent

Company: YATES PETROLEUM CORPORATION

Date: November 25, 1991

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes, actual surveys made by me or under my supervision, and that the same is true or correct to the best of my knowledge and belief.

Date Surveyed: **NOVEMBER 24, 1991**

Signature: *James R. Reddy*

Professional Surveyor

NEW MEXICO

5412

REGISTERED PROFESSIONAL SURVEYOR

Certificate No. 5412

NM REGPS NO. 5412

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

EXHIBIT 3

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION		Lease FLORA "AKF" STATE		Well No. 2
Unit Letter K	Section 2	Township 22 SOUTH	Range 31 EAST	County NMPM EDDY
Actual Footage Location of Well: 1980 feet from the SOUTH line and 2310 feet from the WEST line				
Ground level Elev. 3528	Producing Formation DELAWARE	Pool UNDES. LOST TANK DELAWARE		Dedicated Acreage: 40 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

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OPERATOR CERTIFICATION

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

Signature
Clifton R. May

Printed Name
Clifton R. May

Position
Permit Agent

Company
YATES PETROLEUM CORPORATION

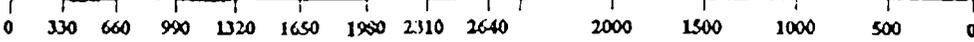
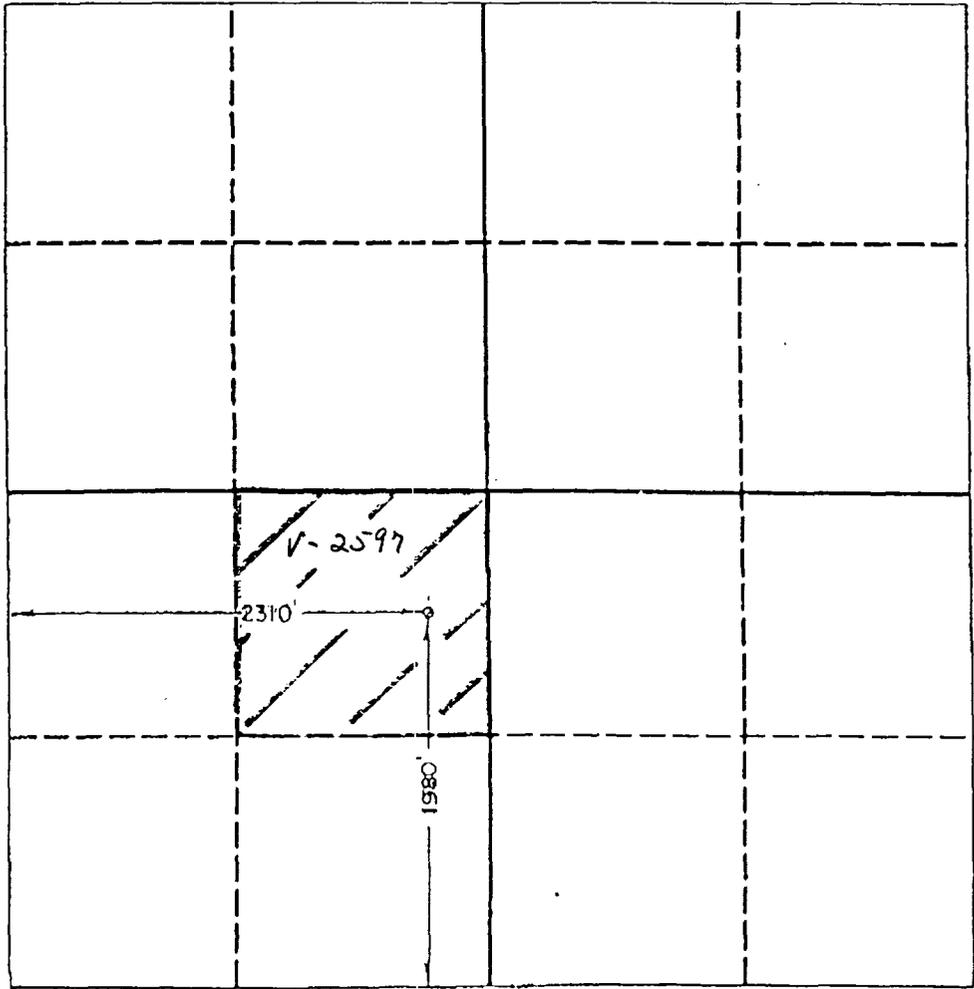
Date
January 21, 1992

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
1/17/1992

Signature & Seal of Professional Surveyor



R31E

T
2
1
S

34-T21S-R31E

35-T21S-R31E

36-T21S-R31E

NEW MEXICO POTASH
CORPORATION

NEW MEXICO POTASH
CORPORATION

NEW MEXICO POTASH
CORPORATION

STATE (WIPP TRADE)

STATE (WIPP TRADE)

STATE

T
2
2
S

3-T22S-R31E

2-T22S-R31E

1-T22S-R31E

UNLEASED

NEW MEXICO POTASH
CORPORATION

UNLEASED

(YPC, P222)

USA

STATE

USA

10-T22S-R31E

11-T22S-R31E

12-T22S-R31E

UNLEASED

UNLEASED

UNLEASED

(YPC, P222)

(YPC, P222)

USA

USA

USA

R31E

**YATES PETROLEUM CORP
POTASH LEASEES**

EXHIBIT #4

1" = 2000'

LEASE NO. M-14957

RECEIVED RENEWAL

APPLICATION NO. M-14957

MAR 6 10 27 AM '67

POTASH MINING LEASE

(Under Act Approved March 12, 1929)

THIS INDENTURE OF LEASE entered into in duplicate this 4th day of February 1967, by and between the State of New Mexico acting in this behalf by GUYTON B. HAYS, Commissioner of Public Lands, party of the first part and hereinafter called the lessor, and...

Kermac Potash Company, Kerr-McGee Bldg., Oklahoma City, Oklahoma, 73102 party of the second part and hereinafter called the lessee, under, pursuant and subject to the terms and provisions of Chapter 140 of the Session Laws of the New Mexico Legislature of 1929, and hereinafter referred to as the Act, all of the provisions of said statute being hereby made a part hereof.

WITNESSETH:

SECTION 1. THAT WHEREAS, the said lessee has filed in the State Land Office an application for a lease for the exploration, development and production of potassium, sodium, phosphorus and other minerals of similar occurrence and their salts and compounds upon the lands hereinafter described and has tendered the sum of FOUR HUNDRED AND FORTY EIGHT AND 90/100***(\$448.90)* Dollars as the first annual rental thereon, together with the sum of \$5.00 application fee, evidenced by official receipt No.

NOW, THEREFORE, in consideration of the said above tender, receipt whereof is hereby confessed and acknowledged, and of the rents and royalties to be paid and the covenants to be observed as herein set forth, the lessor does hereby grant, demise, lease and let to the lessee exclusively for the sole and only purpose of exploration, development and production of potassium, sodium, phosphorus and other minerals of similar occurrence and their salts and compounds in, upon and under the following described land situated in the

County of Lea & Eddy, State of New Mexico, and more particularly described as follows, to-wit: Common Schools

Table with 5 columns: SUBDIVISION, SEC., TWP., RGE., ACRES. Rows include subdivisions like W 1/2, ALL, etc., with corresponding acreages ranging from 320.00 to 640.00.

ALL ASSIGNED #1

containing 4,489.00 acres, more or less, together with the right to construct and maintain thereon all works, buildings, plants, waterways or reservoirs necessary to the full enjoyment thereof, including the right to drill, maintain and operate water wells on said lands and to produce and use the water therefrom; provided, that this lease shall extend only to and include any right or interest in the lands or the minerals therein reserved to the State of New Mexico under contract of purchase or deed heretofore or hereafter issued with a reservation of the minerals therein to said State.

TO HAVE AND TO HOLD the said lands and all rights and privileges granted hereunder for a term of ten years and as long thereafter as the said minerals or any of them in paying quantities shall be produced from the leased lands.

SECTION 2. In consideration of the premises, the lessee hereby agrees as follows, to-wit:

(a) Within twelve (12) months from date hereof, unless extension be granted, to begin actual drilling upon some portion of the leased lands with machinery and equipment suitable for taking and preserving a core of salt formation, and to continue such drilling with reasonable diligence until a depth of 1800 feet shall be reached or the formations containing the minerals hereinabove mentioned shall have been completely panned.

YATES PETROLEUM CORP. BEFORE THE COMMISSION NMOCD CASE NOS. 10446-10449 DATE: 09/09/92 DE NOVO EXHIBIT NO. 5

Assigned To Kerr-McGee Corporation Address Kerr-McGee Building

frated and satisfactory evidence thereof furnished the lessor by the lessee. Provided, however, that where deposits of said minerals are so situated that prospecting work may be effectually carried on by shafts, tunnels, open cuts or in any manner otherwise than by drilling test wells, such prospecting work may be accepted by the lessor in lieu of the drilling of a well or wells as herein provided.

(b) Upon the completion of the first well, as hereinabove provided for, to drill at least one such test well to completion on the said premises during each and every year thereafter during the ten year primary term of this lease or until the number of wells completed shall equal the number of sections of land of 640 acres each contained in this lease, a minor fraction of such a section to be disregarded and a major fraction to be treated and regarded as a full section for the purpose of this paragraph. Provided, however, that where conditions existent on the lands may justify, exploratory work other than by the drilling of wells may be accepted in lieu of such drilling upon proper showing thereof made by the lessee.

(c) To pay to the lessor annually in advance on the successive anniversary dates of this lease the sum of ten cents (10c) per acre for each and every acre of land as to which the lease may be in force when such payments shall become due, such rental payments to continue so long as this lease shall remain in force. Provided, however, that the annual rental on this lease shall not in any case be less than one hundred (\$100.00) dollars to be paid in cash.

(d) To pay to the lessor a royalty of five per cent of the value of the minerals produced hereunder, such royalty to be computed upon the value of said minerals delivered at the nearest or most accessible railroad shipping point; all such royalty provided for herein expressly reserved to the lessor as provided by statute.

(e) Rentals and royalties due the State shall constitute a first lien on any and all improvements on the land leased, prior and superior to any other lien or encumbrance whatsoever whether created with or without notice of the lien for rental or royalties due or to become due.

(f) To furnish monthly certified statements in detail in such form as may be prescribed by the lessor, of the amount and value of output from the leasehold delivered at the nearest or most accessible railroad shipping point, as a basis for determining the amount of royalties, and to permit at all reasonable times the inspection by the lessor or his duly authorized agent of all books and accounts of the lessee relating thereto, it being a condition of this grant that falsification of any such statements, records, books or accounts by the lessee shall be deemed and taken as sufficient ground for cancellation of this lease.

(g) To furnish the lessor annually a map showing all prospecting and development work on the leased lands and other related information, together with a report showing all buildings, structures and workings placed thereon, and a complete statement of the amount of potassium and other minerals produced and saved by lessee's operations hereunder.

(h) If said minerals or any of them in commercially paying quantities shall be discovered on the lands embraced herein, to develop and produce in commercial quantities with reasonable diligence the potassium and other mineral deposits susceptible of such production; to carry on all mining, reducing, refining and other operations in a good and workmanlike manner in accordance with approved methods and practices, having due regard to the health and safety of employees, the prevention of waste and the preservation and conservation of the property for further productive operations, and to observe all state laws relative to the health and safety of such employees, all mining and related productive operations to be subject to inspection by the lessor or his duly authorized agent and by other duly constituted state authority.

(i) To deliver to the lessor upon the termination of this lease as a result of forfeiture or otherwise, the lands covered hereby including all fixtures and improvements other than structures, buildings, derricks, machinery, equipment, tools and personal property located and used above ground and other than pumps, engines, air compressors, dynamos, motors, cars and other similar appliance used underground situated on any of said lands, in good order and condition so as to permit of immediate continued operation to the full extent and capacity of the leased premises. Provided, that upon such termination of the lease the lessee shall have ninety days from such termination to remove such machinery, tools, equipment and personal property from the leased premises if free from a state lien; and all such property shall become the property of the lessor if not so removed within said period of ninety days or within such extension of time as may be granted by the lessor.

(j) To pay when due all taxes lawfully assessed and levied under the laws of the State of New Mexico upon the improvements, output of mines and other rights, property and assets of the lessee.

(k) To comply with all statutory requirements where the surface of the lands embraced herein has been or may be leased, sold or otherwise disposed of under State laws reserving to the State of New Mexico the mineral deposits therein contained.

(l) Not to assign or sublet the premises covered hereby without the written consent and approval of the lessor.

(m) To take and preserve a core of all formations penetrated by any test well containing any of the minerals mentioned in Section 1 hereof, one-quarter of such core to be the property of the lessor and the lessee further agrees to furnish the lessor promptly copies of any and all analysis made by or for the lessee of cores taken from test wells drilled on the leased premises, and copies of analysis of samples of minerals mined therefrom upon demand of the lessor.

(n) Before commencing operations hereunder to furnish the Commissioner of Public Lands a good and sufficient bond in the penal sum of not to exceed ten thousand (\$10,000.00) dollars conditioned upon the faith-

#2

ful performance by the lessee of all and singular, the terms and conditions of this lease, and keep such bond in force and effect so long as lessee's operations shall continue under the terms hereof.

SECTION 3. The lessor hereby expressly reserves:

(a) The right to permit for joint or several such easements and rights of way upon, through or in the lands hereby issued as may be necessary or appropriate to the use or disposal of the lands for purposes other than the purpose of this lease, and the right to dispose of the surface of the said lands under the laws of the State of New Mexico now existing or hereafter enacted, insofar as said surface is not necessary or required for use of the lessee in extracting and removing the potash and other mineral deposits therein contained. And the lessor further expressly reserves the right to lease the said lands for minerals other than those described in Section 1 hereof, but the working of said lands under such lease, for such other minerals shall not be permitted where such operations will prevent or materially interfere with the operations of the lessee hereunder.

SECTION 4. The lessee may at any time, by paying to the lessor all amounts then due the lessor as provided herein and the further sum of ten and no/100 (\$10.00) dollars surrender and cancel this lease insofar as the same covers all or any portion of the land herein leased, and be relieved from further obligations or liabilities hereunder as to the lands surrendered. Provided, that all wages or monies due and payable to the workmen employed by the lessee shall have been paid and that a satisfactory showing is made to the lessor that all creditors or others having an interest in or lien or claim against the lessee are fairly and equitably protected, but in no case shall such termination be effective until the lessee shall have made adequate provision for the preservation of any mines, productive works and permanent improvements on the lands covered hereby; and provided further that this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessor, lessee or any assignee to enforce this lease or any of its terms, expressed or implied.

SECTION 5. If the lessee shall fail to comply with the provisions of this lease or make default in the performance or observance of any of the terms, covenants and stipulations herein, and such default shall continue for thirty days after service of written notice thereof by the lessor, then the lessor may and he is hereby expressly authorized to declare a forfeiture and cancellation of this lease. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture or for the same cause occurring at any other time.

SECTION 6. It is expressly understood and agreed that all of the obligations, covenants, agreements, rights and privileges of this lease shall extend to and be binding upon and inure to the benefit of the lawful assigns or successors in interest of the parties hereto.

IN WITNESS WHEREOF: The party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands, thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this instrument the day and year first above written.

KERMAC POTASH COMPANY, A Partnership
By National Farmers Union
Development Corporation, A Partner
By Paul S. Hand
Vice President

ATTEST: Charles F. Norman
Secretary

STATE OF NEW MEXICO
County of ...

STATE OF NEW MEXICO
By: Dwight B. Hays
Commissioner of Public Lands.
KERMAC POTASH COMPANY, A Partnership
By KERR-McGEE CORPORATION, A Partner
By M. F. Bolton
M. F. Bolton, Vice President

ATTEST:
Carl G. Dudley
Carter G. Dudley, Assistant Secretary

Upon this day of 191....., personally appeared before me
to me known to be the person described therein and who executed the above and foregoing instrument, and acknowledged that executed the same as free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

.....
Notary Public.

My Commission expires:

#3

The foregoing instrument was acknowledged before me this the 23rd day of February, 1967, by M. F. Bolton, known to me to be the Vice President of KERN-McGEE CORPORATION, A Delaware corporation, on behalf of said corporation, a partner, on behalf of KERMAC POTASH COMPANY, a Partnership.

Florence Barnett
Notary Public

My Commission expires: 3-19-68

STATE OF COLORADO)
CITY & COUNTY OF DENVER) ss.

The foregoing instrument was acknowledged before me this the 27th day of February, 1967, by Paul E. Hudd, known to me to be the Vice President of NATIONAL FARMERS UNION DEVELOPMENT CORPORATION, A Delaware corporation, on behalf of said corporation, on behalf of KERMAC POTASH COMPANY, a Partnership.

Louise S. Nylander
Notary Public

My Commission expires: My Commission expires May 17, 1969

LEASE NO. _____

**POTASH MINING
LEASE**

**FROM
COMMISSIONER OF PUBLIC LANDS
OF
NEW MEXICO
TO**

#4

FROM: 0
TO: 1

ASSIGNMENT OF MINERAL LEASE

55016

RECEIVED
JUL 29 2 43 AM '68
STATE LAND OFFICE
SANTA FE, N.M.

KNOW ALL MEN BY THESE PRESENTS:

That KERMAC POTASH COMPANY, a partner composed of National Farmers Union Development Corporation, a Delaware corporation, and Kerr-McGee Corporation, a Delaware corporation, hereinafter called "Assignor", party of the first part, for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by KERR-McGEE CORPORATION whose postoffice address is Kerr-McGee Building, Oklahoma City, Oklahoma, hereinafter sometimes called the "Assignee", party of the second part, effective as of the close of business on March 31, 1968, has sold, transferred, set over and assigned, and by these presents does sell, transfer, set over and assign to the Assignee, its successors and assigns, all of the Assignor's right, title, interest and claim in and to that certain Mineral Lease No. M-14957, made by the State of New Mexico to Kermac Potash Company under date of February 4, 1967, covering the following described lands:

SUBDIVISION	SEC.	TWP.	RGE.	ACRES
W/2	<i>Eddy</i> 34	21S	31E	320.00
ALL	" 36	21S	31E	640.00
ALL	2	22S	31E	639.48
ALL	2	21S	31E	969.52
ALL	16	22S	31E	640.00
ALL	32	22S	31E	640.00
ALL	32	21S	31E	640.00

ALL ASSIGNED # 2

Containing 4,489.00 acres, more or less

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected to pay such rental and royalties and to do such other acts as are by said lease required as to the above described subdivisions to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted by the terms of said lease as to the lands above described.

IN WITNESS WHEREOF, The said party of the first part has hereunto set its hand and seal on this the 19th day of June, 1968.

KERMAC POTASH COMPANY

BY: KERR-McGEE CORPORATION

By F.C. Love
F.C. Love, President
Partner

ATTEST:

William E. Keenan
Assistant Secretary

BY: NATIONAL FARMERS UNION DEVELOPMENT CORPORATION

By Tony I. Dechant
Tony I. Dechant, President
Partner

ATTEST:

Charles P. Prussian
Secretary

APPROVED THIS 19th DAY OF August, 1968.

By Arthur B. Kemp
Commissioner of Public Lands

5



FROM NO. 7
TO NO. 2

NEW MEXICO STATE LAND OFFICE
ASSIGNMENT OF MINERAL LEASE

M-14957-1

00010

9-A
7-30-86
9-30-86

KNOW ALL MEN BY THESE PRESENTS:

That KERR-MCGEE CORPORATION, hereinafter called "Assignor", for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by NEW MEXICO POTASH CORPORATION (Assignee)

whose Post Office address is P.O. BOX 610, Hobbs, NM 88240, hereinafter called the "Assignee", has sold, transferred, set over and assigned, and by these presents does sell, transfer, set over and assign to the Assignee, his heirs, successors and assigns, all of the Assignor's right, title, interest and claim in and to that certain Mineral Lease No. M-14957-1 made by the State of New Mexico to KERRMAC POTASH COMPANY, under date of February 4, 1967, only insofar as said lease covers the following described land to wit:

Institution	Section	Township	Range	Subdivision	Acres
-------------	---------	----------	-------	-------------	-------

SEE EXHIBIT "A" WHICH IS ATTACHED TO AND MADE A PART OF THIS ASSIGNMENT.

Together with the personal property thereon, if any, appurtenant thereto, or used or obtained in connection herewith.

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rental and royalties, and to do such other acts as are by said lease required as to the above-described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein and Assignor is relieved of such obligations and duties. See Exhibit "A" which is attached to and made a part of this Assignment.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

Signed this 5th day of APRIL, 19 85.

Don'tequ
SECRETARY (Corporation Only)

KERR-MCGEE CORPORATION
ASSIGNOR (If Corporation Print or Type Name of Corporation and Executing Officer)

Date 4-27-88
Partial Assigned To U.S.A
Address P.O. Box 5400

By: J.L. Rainey, Senior Vice President
(PERSONAL ACKNOWLEDGMENT)

STATE OF N.M.
COUNTY OF Alb. Nm 87115

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

My Commission Expires _____

(ACKNOWLEDGEMENT BY ATTORNEY-IN-FACT)

STATE OF _____
COUNTY OF _____

Notary Public
DATE 10/3/86
FILMED
OPERATOR JS

The foregoing instrument was acknowledged before me this _____ day of _____, 19____

as attorney-in-fact in behalf

on Expires: ES10 5056 30.000a 815-86

Notary Public

Handwritten initials

STATE LAND OFFICE
SANTA FE, N. M.
(ACKNOWLEDGMENT BY CORPORATION)

OKLAHOMA)
OKLAHOMA)
ITY OF)

The foregoing instrument was acknowledged before me this 5th day of APRIL, 1985,

by J.L. Rainey, Senior Vice President, of Kerr-McGee Corporation
(Name) (Title) (Corporation)

a Delaware corporation, on behalf of said corporation.

My Commission Expires: 4-15-89 Mary J. Jenkins
NOTARY PUBLIC

APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands
Santa Fe, New Mexico 87504-1148

I hereby certify that the within Assignment was filed in my office on APRIL 15, 1985

approved by me and to be effective as to the State of New Mexico on September 9, 1986

Jim Bass
Commissioner of Public Lands

INSTRUCTIONS AND INFORMATION

1. All Assignments must be filed in triplicate, and should be filed in the State Land Office within 100 days from date of signing by Assignor and accompanied by Cashier's Check, Bank Draft, Postal Money Order, Express or Bank Money Order.
2. Recording and approval fee is \$30.00 for each Assignment. (Additional investigation and records research fee of \$75.00 if Assignment is submitted more than 100 days after date of signing of Assignment).
3. When Assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of Assignment until checks are paid.
4. Assignment will not be approved when assigned to more than one person or corporation. (Assignment must cover one or more complete subdivisions and must not convey an undivided or fractional interest in the lease, however, unapproved Assignments will be filed as miscellaneous instruments, see 7-9-29, N.M.S.A., 1953 Comp., and General Mining Rules 31 thru 38).
5. Assignments must show complete Post Office address of Assignee.
6. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Use appropriate form.
7. Assignments must show whether Assignors are married or single; if married, both husband and wife must sign the Assignment, and Certificate of Acknowledgment must show marital status of Assignors. (This may be waived if records show lease is separate property of Assignee). Corporation must show state of incorporation.
8. All official business, letters and communications, must be addressed to and sent direct to the Commissioner of Public Lands.
9. Make all payments for annual rental and recording approval fees to: Commissioner of Public Lands, P. O. Box 1148, Santa Fe, New Mexico 87504-1148.
10. Performance Bond (Rule 42 - Change No. 2 - 8/7/72)
In addition, before a lease shall issue, the lessee shall file with the Commissioner of Public Lands a bond in an amount to be set by the Commissioner which he deems necessary to guarantee payment of royalties to become due the State of New Mexico. Unless and until the Commissioner sets a higher amount upon good cause shown, the minimum and usual amount of such bond shall be \$1,000.00 for a single lease bond and \$2,000.00 for a multiple lease bond.

EXHIBIT "A" TO NEW MEXICO STATE LAND OFFICE
 ASSIGNMENT OF MINERAL LEASE
 DATED APRIL *SA*, 1985

Handwritten notes:
 30
 20
 10
 U.S.A.

<u>Institution</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Subdivision</u>	<u>Acres</u>
C.S.	2	21 South	31 East	(Lot 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 32) → ALL	969.52 ✓
C.S.	32	21 South	31 East	ALL	640.00 ✓
C.S.	34	21 South	31 East	W/2	320.00 ✓
C.S.	36	21 South	31 East	ALL	640.00 ✓
C.S.	2	22 South	31 East	ALL (Lots 1, 2, 3, 4, 5 1/2, 5 1/2)	639.48 ✓
C.S.	16	22 South	31 East	ALL	640.00 ✓
C.S.	32	22 South	31 East	ALL	640.00 ✓
					4,489.00

It is understood and agreed that this Assignment is subject to that certain Overriding Royalty Interest assigned to Olen F. Featherstone pursuant to "Agreement of Compromise, Settlement and Mutual Release", dated December 27, 1958, by and between National Farmers Union Service Corporation and Farm Chemical Resources Development Corporation and Olen F. Featherstone, et ux., and Assignment of Overriding Royalty Interest, dated August 10, 1966, from Kermac Potash Company to Olen F. Featherstone, Charles W. Hicks and Harvey E. Roelofs, Co-Trustees of the Olen F. Featherstone II Trust, and Olen F. Featherstone II, individually, all as modified and amended by that certain Agreement dated October 16, 1983, by and between Featherstone Corporation and Olen F. Featherstone II and Kerr-McGee Corporation.

MINERALS	FILED
DATE <u>10/3/82</u>	
FILMED <u>gjs</u>	
OPERATOR <u>gjs</u>	

#8

LEASE NO. V-2705

APPLICATION NO. V-2705

OIL AND GAS LEASE
(Discovery Form)

THIS AGREEMENT, dated OCTOBER 1, 19 88, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor"; and YATES PETROLEUM CORPORATION, A NEW MEXICO CORPORATION

whose address is 105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

hereinafter called the "lessee",

WITNESSETH:

WHEREAS, the lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of FOUR THOUSAND FIVE HUNDRED AND 00/100 dollars (\$ 4,500.00),

the same being the amount of the tender above mentioned, and the further sum of \$ 30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas (including carbon dioxide and helium), or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephone lines, tanks, power houses, stations, gasoline plants and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the covenants and conditions hereinafter set out, the following described land situated in the county of EDDY, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1	LOTS 1 (39.68), 2 (39.81), 3 (39.93), 4 (40.06), S2N2	2	225	31E	319.48	C.S.
2						
3						
4						
5						
6						
7						

YATES PETROLEUM CORP.
BEFORE THE COMMISSION
NMOCD CASE NOS. 10446-10449
DATE: 09/09/92 DE NOVO
EXHIBIT NO. 6

Said lands having been awarded to lessee and designated as Tract No. V-0-8 at a public sale held by the commissioner of public lands on SEPTEMBER 20, 19 88.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land by lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-sixth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into the pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-sixth, part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-sixth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion or conservation of oil or gas or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom, and if the lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. The amount of any annual royalty payable under this section shall equal twice the annual rental due by the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year; provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further, that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. An annual rental at the rate of \$1.00 per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the lessor a duly executed release thereof and in event said lease has been recorded then he shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof or any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

EXP
10-1-93
HBP
16 2/3%

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land which is draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells, all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to be in the interest of the beneficiaries of the lands granted hereunder to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee so defaulting, by registered or certified mail, addressed to the post office address of such lessee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence.

Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

16. Lessees, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substances to likewise waive any such rights.

18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

20. All terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By: W. R. Humphries
Commissioner of Public Lands, Lessor

YATES PETROLEUM CORPORATION

By: Randy G. Patterson (Seal)
Attorney-in-Fact Lessee

(PERSONAL ACKNOWLEDGEMENT)

STATE OF _____ }
COUNTY OF _____ } ss.
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

My commission expires: _____
Notary Public

(ACKNOWLEDGEMENT BY ATTORNEY-IN-FACT)

STATE OF New Mexico }
COUNTY OF Eddy } ss.
The foregoing instrument was acknowledge before me this 31st day of October, 19 88, by
Randy G. Patterson as attorney-in-fact in behalf of
Yates Petroleum Corporation, a New Mexico corporation.

My commission expires: 10-31-90
Ranell Rusty Amigo
Notary Public

(ACKNOWLEDGEMENT BY CORPORATION)

STATE OF _____ }
COUNTY OF _____ } ss.
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

(Name) (Title) of (Corporation)
a _____ corporation, on behalf of said corporation.
My commission expires: _____
Notary Public

LEASE NO. V-2597

APPLICATION NO. V-2597 *3200*

OIL AND GAS LEASE
(Discovery Form)

THIS AGREEMENT, dated AUGUST 1, 19 88, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and YATES PETROLEUM CORPORATION, A NEW MEXICO CORPORATION

whose address is 105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

hereinafter called the "lessee",

WITNESSETH:

WHEREAS, the lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of TWELVE THOUSAND TWO HUNDRED EIGHTY-THREE AND 20/100 dollars (\$ 12,283.20),

the same being the amount of the tender above mentioned, and the further sum of \$ 30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas (including carbon dioxide and helium), or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephone lines, tanks, power houses, stations, gasoline plants and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the covenants and conditions hereinafter set out, the following described land situated in the county of EDDY, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1	SW4	2	22S	31E	160.00	C.S.
2						
3						
4						
5						
6						
7						

YATES PETROLEUM CORP.
BEFORE THE COMMISSION
NMOCD CASE NOS. 10446-10449
DATE: 09/09/92 DE NOVO
EXHIBIT NO. 7

Stamp: STATE OF NEW MEXICO, SEP 12 2 21 PM '88

Said lands having been awarded to lessee and designated as Tract No. V-5 at a public sale held by the commissioner of public lands on JULY 19, 19 88.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land by lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-sixth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into the pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-sixth, part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-sixth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion or conservation of oil or gas or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom, and if the lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. The amount of any annual royalty payable under this section shall equal twice the annual rental due by the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year; provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further, that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. An annual rental at the rate of \$1.00 per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the lessor a duly executed release thereof and in event said lease has been recorded then he shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof or any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

EXP
8-1-93

16 2/3%

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land which is draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells, all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the beneficiaries of the lands granted hereunder to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee so defaulting, by registered or certified mail, addressed to the post office address of such lessee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence.

Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

16. Lessees, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substances to likewise waive any such rights.

18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

20. All terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

By: W. R. Humphreys
Commissioner of Public Lands, Lessor

YATES PETROLEUM CORPORATION

By: Randy G. Patterson (Seal)
Attorney-in-Fact Lessee

(PERSONAL ACKNOWLEDGEMENT)

STATE OF _____ }
COUNTY OF _____ } ss.
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires: _____ Notary Public

(ACKNOWLEDGEMENT BY ATTORNEY-IN-FACT)

STATE OF New Mexico }
COUNTY OF Eddy } ss.
The foregoing instrument was acknowledge before me this 31st day of August, 19 88, by Randy G. Patterson as attorney-in-fact in behalf of

Yates Petroleum Corporation, a New Mexico corporation.
My commission expires: 10-31-90 Ronell (Rusty) J. Jernigan
Notary Public

(ACKNOWLEDGEMENT BY CORPORATION)

STATE OF _____ }
COUNTY OF _____ } ss.
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

(Name) (Title) of (Corporation)
a _____ corporation, on behalf of said corporation.
My commission expires: _____ Notary Public

EXHIBIT "A"

Mr. Armando Lopez
Assistant District Manager, Minerals
Bureau of Land Management
P. O. Box 1397
Roswell, NM 88201

Mr. Ernie Szabo
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

Mr. Bob Lane
New Mexico Potash Corporation
P. O. Box 610
Hobbs, NM 882410

EXHIBIT "B"

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
 JOEL M. CARSON
 JAMES E. HAAS
 A. J. LOSEE
 DEAN B. CROSS
 MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
 P. O. DRAWER 239
 ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
 (505) 746-3505
 TELECOPY
 (505) 746-6316

January 21, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Ernie Szabo
 New Mexico State Land Office
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

Re: Applications of Yates Petroleum Corporation
 for Permits to Drill, Eddy County, New Mexico

Dear Mr. Szabo:

This office represents Yates Petroleum Corporation. On January 20, 1992 the above-referenced Applications were sent for filing by Yates Petroleum Corporation for permits to drill its Graham "AKB" State No. 3 Well, its Graham "AKB" State No. 4 Well, and its Flora "AKF" State No. 1 Well, all in Section 2, Township 22 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Copies of those Applications are enclosed for reference.

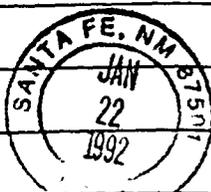
I will furnish you with the date for the hearing on said Applications once we have received same in this office. Any party wishing to appear must file a prehearing statement by the Friday prior to the date of hearing, and any party wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

I would request that you notify us whether or not you will protest the proposed Applications referred to herein. If you have any questions, please do not hesitate to contact me.

ELC:b
 Enclo.

P.A.

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p>	
<p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to: <i>Mr. Ernie Szabo NM State Land Office 310 Old Santa Fe Trail Santa Fe, NM 87501</i></p>	<p>4. Article Number <i>P574 253 459</i></p> <p>Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature - Address X <i>Mike L</i></p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent X</p>	
<p>7. Date of Delivery</p>	



LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
 JOEL M. CARSON
 JAMES E. HAAS
 A. J. LOSEE
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300 YATES PETROLEUM BUILDING
 P. O. DRAWER 239
 ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
 (505) 746-3505
 TELECOPY
 (505) 746-6316

January 21, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Bob Lane
 New Mexico Potash
 P. O. Box 610
 Hobbs, New Mexico 88241

Re: Applications of Yates Petroleum Corporation
 for Permits to Drill, Eddy County, New Mexico

Dear Mr. Lane:

This office represents Yates Petroleum Corporation. On January 20, 1992 the above-referenced Applications were sent for filing by Yates Petroleum Corporation for permits to drill its Graham "AKB" State No. 3 Well, its Graham "AKB" State No. 4 Well, and its Flora "AKF" State No. 1 Well, all in Section 2, Township 22 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Copies of those Applications are enclosed for reference.

I will furnish you with the date for the hearing on said Applications once we have received same in this office. Any party wishing to appear must file a prehearing statement by the Friday prior to the date of hearing, and any party wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

I would request that you notify us whether or not you will protest the proposed Applications referred to herein. If you have any questions, please do not hesitate to contact me.

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p>	
<p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to: <i>Mr. Bob Lane</i> <i>New Mexico Potash</i> <i>P.O. Box 610</i> <i>Hobbs, NM 88241</i></p>	<p>4. Article Number <i>P574 253 460</i></p> <p>Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature - Address X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature of Agent X <i>[Signature]</i></p>	
<p>7. Date of Delivery <i>1-22-92</i></p>	

ELC
 Enc

, P.A.

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
 JOEL M. CARSON
 JAMES E. HAAS
 A. J. LOSEE
 DEAN B. CROSS
 MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
 P. O. DRAWER 239
 ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
 (505) 746-3505
 TELECOPY
 (505) 746-6316

January 21, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Armando Lopez
 Assistant District Manager, Minerals
 Bureau of Land Management
 P. O. Box 1397
 Roswell, New Mexico 88201

Re: Applications of Yates Petroleum Corporation
 for Permits to Drill, Eddy County, New Mexico

Dear Mr. Lopez:

This office represents Yates Petroleum Corporation. On January 20, 1992 the above-referenced Applications were sent for filing by Yates Petroleum Corporation for permits to drill its Graham "AKB" State No. 3 Well, its Graham "AKB" State No. 4 Well, and its Flora "AKF" State No. 1 Well, all in Section 2, Township 22 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Copies of those Applications are enclosed for reference.

I will furnish you with the date for the hearing on said Applications once we have received same in this office. Any party wishing to appear must file a prehearing statement by the Friday prior to the date of hearing, and any party wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

I would request that you notify us whether or not you will protest the proposed Applications referred to herein. If you have any questions, please do not hesitate to contact me.

<p>SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p>	
<p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to: <i>Mr. Armando Lopez</i> <i>Bureau of Land Mgt.</i> <i>P.O. Box 1397</i> <i>Roswell, NM 88201</i></p>	<p>4. Article Number <i>P 574 253 461</i></p> <p>Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p>
<p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>	
<p>5. Signature - Address <i>X</i> _____</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent <i>X</i> _____</p>	
<p>7. Date of Delivery _____</p>	

ROLL, P.A.

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE
DEAN B. CROSS
MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

February 10, 1992

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Armando Lopez
Assistant District Manager, Minerals
Bureau of Land Management
P. O. Box 1397
Roswell, NM 88201

Re: Applications of Yates Petroleum Corporation
for Permits to Drill, Eddy County, New Mexico
OCD Case Nos. 10446, 10447, 10448, 10449

Dear Mr. Lopez:

I am writing to notify you that the hearing date for the above-
referenced applications of February 20, 1992, has been changed to
March 19, 1992.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

P 885 891 268



Certified Mail Receipt
No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>Armando Lopez</i>	
Street & No.	
P.O., State & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date	<i>2/10/92</i>

SENDER:

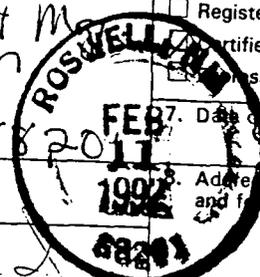
- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: <i>Armando Lopez Assistant District Manager Minerals, BLM P.O. Box 1397 Roswell, NM 88201</i>		4a. Article Number <i>P885 891 268</i>
5. Signature (Addressee) <i>Armando Lopez</i>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Registered Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature (Agent) <i>Ernest L. Carroll</i>		7. Date of Delivery FEB 11 1992 8. Addressee's Address (Only if requested and fee is paid) <i>Roswell, NM 88201</i>



PS Form 3800, June 1990

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
 JOEL M. CARSON
 JAMES E. HAAS
 A. J. LOSEE
 DEAN B. CROSS
 MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
 P. O. DRAWER 239
 ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
 (505) 746-3505
 TELECOPY
 (505) 746-6316

February 10, 1992

**CERTIFIED MAIL
 RETURN RECEIPT REQUESTED**

Mr. Bob Lane
 New Mexico Potash
 P. O. Box 610
 Hobbs, NM 88241

Re: Applications of Yates Petroleum Corporation
 for Permits to Drill, Eddy County, New Mexico
 OCD Case Nos. 10446, 10447, 10448, 10449

Dear Mr. Lane:

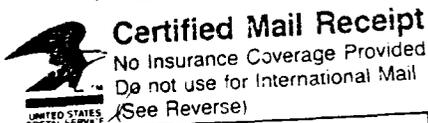
I am writing to notify you that the hearing date for the above-
 referenced applications of February 20, 1992, has been changed to
 March 19, 1992.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



P 885 891 267



Sent to Bob Lane	
Street & No.	
P.O., State & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date	2/10/92

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Bob Lane New Mexico Potash P.O. Box 610 Hobbs, NM 88241		4a. Article Number P 885 891 267	
5. Signature (Addressee) 2-1292		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent) 		7. Date of Delivery	
PS Form 3811, November 1990		8. Addressee's Address (Only if requested and fee is paid)	

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
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(505) 746-6316

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE
DEAN B. CROSS
MARY LYNN BOGLE

February 10, 1992

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Ernie Szabo
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

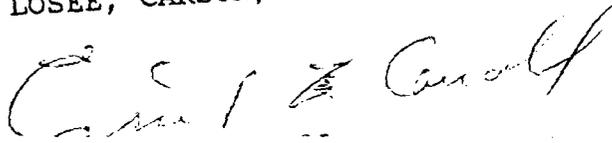
Re: Applications of Yates Petroleum Corporation
for Permits to Drill, Eddy County, New Mexico
OCD Case Nos. 10446, 10447, 10448, 10449

Dear Mr. Szabo:

I am writing to notify you that the hearing date for the above-referenced applications of February 20, 1992, has been changed to March 19, 1992.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



P 885 891 266



Certified Mail Receipt
No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Ernie Szabo	
Street & No.	
P.O. State & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date 2/10/92	

SENDER:

- Complete items 1 and/or 2 for additional services.
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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

**Ernie Szabo
NM State Land Office
310 Old Santa Fe Trail
Santa Fe, NM**

4a. Article Number

P 885 891 266

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

Ernie Szabo

6. Signature (Agent)

Mike J. [unclear]



8. Addressee's Address (Only if requested and fee is paid)

PS Form 3800, June 1990

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

MEMORANDUM

GARREY CARRUTHERS
GOVERNOR

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

TO: NEW MEXICO OIL PRODUCERS

FROM: WILLIAM J. LeMAY, Director, Oil Conservation Division *WJL*

SUBJECT: REGULATORY INITIATIVES TO INCREASE NEW MEXICO'S OIL PRODUCTION

DATE: SEPTEMBER 6, 1990

In response to the crisis in the Middle East, the Secretary of the Energy has asked oil producing states to take initiatives to increase domestic oil production.

To meet the Secretary's request, the New Mexico Oil Conservation Commission has placed on the September 24, 1990, docket a hearing to receive comments and suggestions from the oil industry on steps which the Division or the Commission might take to increase New Mexico's oil production immediately, and in the short term (3 to 6 months) and longer time frames.

The Commission is particularly interested to learn if producers see any Oil Conservation Division regulatory impediments which hinder drilling and/or production, whether oil allowables could be increased or eliminated, without violating correlative rights or creating waste, if there are any rule changes which could promote additional oil production and suggestions from industry relating to the Energy Secretary's directive. The Commission is soliciting comments only on actions which it or the Division might take and not on legislative initiatives or actions which would necessarily have to be taken by other governmental agencies, such as the Bureau of Land Management or Internal Revenue Service.

While no order will be issued as a result of this hearing, the Commission will utilize industry input in the implementation of regulatory policy which will allow or encourage higher production levels, either from existing wells or from new developments, without causing waste or impairing correlative rights.

YATES PETROLEUM CORP.
BEFORE THE COMMISSION
NMOCD CASE NOS. 10446-10449
DATE: 09/09/92 DE NOVO
EXHIBIT NO. 9