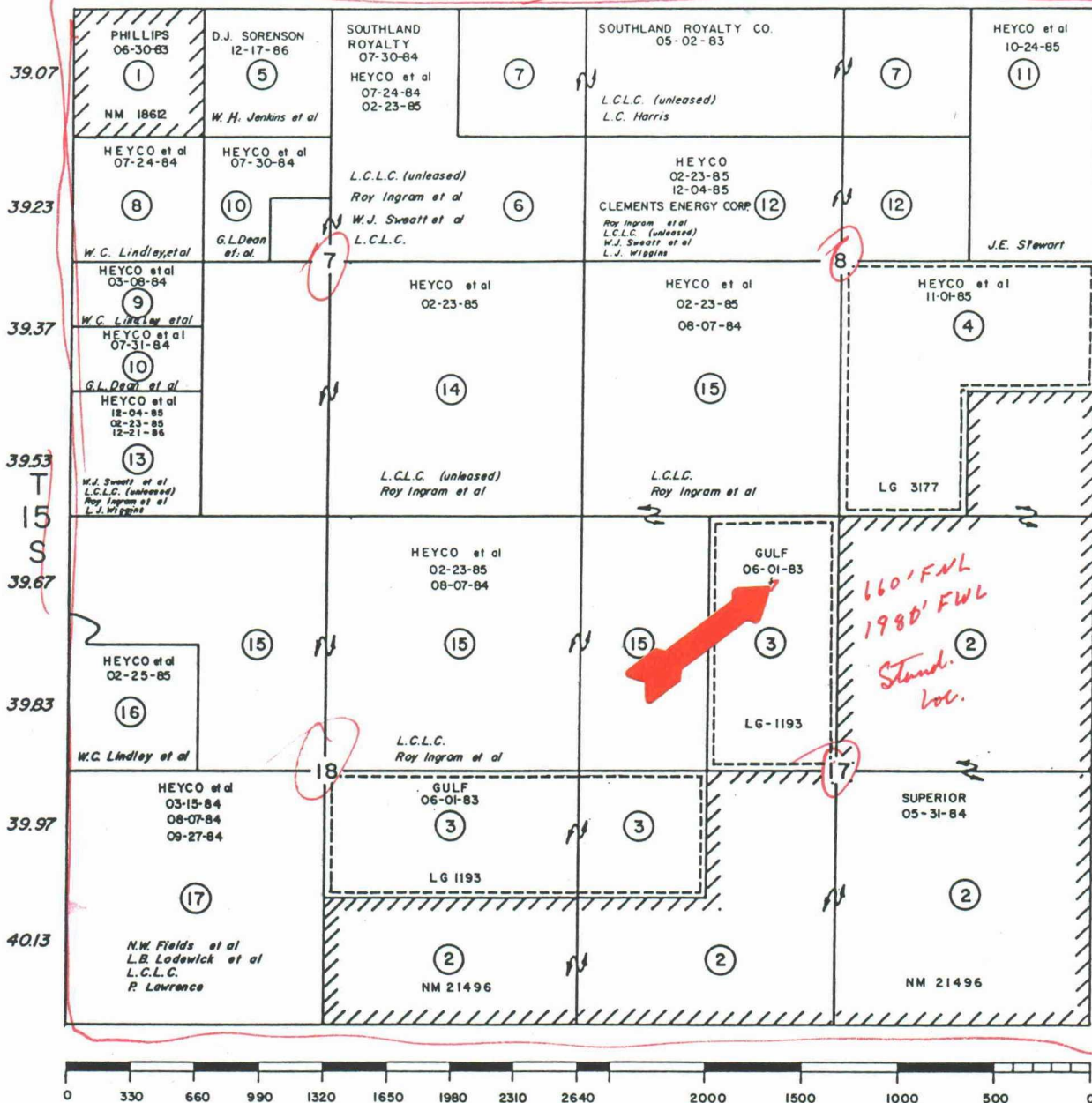


BEFORE EXAMINER Michael E. Stogner
OIL CONSERVATION DIVISION
Applicant's EXHIBIT NO. 1
CASE NO. 7807
SUBMITTED BY Harvey E. Yates Co.
HEARING DATE 3-2-83

R-27-E



2556.80

160' FWL
1980' FWL
Stand.
loc.

LEGEND
2556.8

- (12) - TRACT NUMBER - as listed on exhibit "B"
- FEDERAL LANDS - 599.07 acs., 23.43% of unit area
- STATE LANDS - 320.0 acs., 12.52% of unit area
- PATENTED LANDS - 1637.73 acs., 64.05% of unit area

EXHIBIT "A"
BUFFALO LAKE UNIT AREA

T-15-S, R-27-E NMPM
CHAVES COUNTY, NEW MEXICO

BEFORE EXAMINER Michael E. Stiguer
OIL CONSERVATION DIVISION
Applicant's EXHIBIT NO. 2
CASE NO. 7807
SUBMITTED BY Harvey E. Yates
HEARING DATE 3-2-83

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

BUFFALO LAKE UNIT AREA
COUNTY OF CHAVES
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the _____ 1st day of JUNE,
1982, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH

WHEREAS the parties hereto are the owners of working, royalty, or other oil
and gas interests in the unit area subject to this agreement; and

WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U.S.C. Secs 181 et seq., authorizes Federal lessees and their repre-
sentatives to unite with each other, or jointly or separately with others, in
collectively adopting and operating a cooperative or unit plan of development or
operation of any oil and gas pool, field, or like area, or any part thereof for
the purpose of more properly conserving the natural resources thereof whenever
determined and certified by the Secretary of the Interior to be necessary or
advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 19-10-45, 46 and 47 N.M. Statutes
1978 Annotated) to consent to or approve this agreement on behalf of the State
of New Mexico, insofar as it covers and includes lands and mineral interests of
the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the State of New Mexico is authorized
by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter
193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to
approve this agreement and the conservation provisions hereof.

WHEREAS the parties hereto hold sufficient interests in the BUFFALO
LAKE Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources,
prevent waste, and secure other benefits obtainable through development and
operation of the area subject to this agreement under the terms, conditions, and
limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein con-
tained, the parties hereto commit to this agreement their respective interests in
the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25,
1920, as amended, supra, and all valid pertinent regulations, including operating
and unit plan regulations, heretofore issued thereunder or valid, pertinent, and
reasonable regulations hereafter issued thereunder are accepted and made a part
of this agreement as to Federal lands, provided such regulations are not inconsistent
with the terms of this agreement; and as to State of New Mexico lands, the oil
and gas operating regulations in effect as of the effective date hereof governing
drilling and producing operations, not inconsistent with the terms hereof or the
laws of the State of New Mexico are hereby accepted and made a part of this agree-
ment.

2. UNIT AREA: The area specified on the map attached hereto marked Exhibit A

is hereby designated and recognized as constituting the unit area, containing
2,556.80 Gross acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Deputy Conservation Manager for Oil and Gas, hereinafter referred to as "Deputy," or when requested by the Commissioner Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised exhibits shall be filed with the Deputy, and two (2) copies thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Conservation Division."

The above described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Minerals Management Service, hereinafter referred to as "Director", or on demand of the Land Commissioner, but only after preliminary concurrence by the Director and the Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reason therefore, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Deputy, the Land Commissioner and the Conservation Division and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Deputy, Land Commissioner and Conservation Division evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application, in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Deputy, the Land Commissioner and the Conservation Division, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not

entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The Unit Operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Deputy and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed two (2) years may be accomplished by consent of the owners of 90% of the working interests in the current nonparticipating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the Director and the Land Commissioner, provided such extension application is submitted to the Director and the Land Commissioner not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES: All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR: HARVEY E. YATES COMPANY
is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Deputy, the Land Commissioner and Conservation Division, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Deputy as to Federal lands and by the Conservation Division as to State lands unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

This resignation of Unit Operator shall not release Unit Operator from any

liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Deputy and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the Deputy and the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner at their election may declare this unit agreement terminated.

If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the

Deputy and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY: Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Deputy, if on federal lands, or by the Land Commissioner if on state land, or by the Conservation Division if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the entire Pennsylvanian formation has been tested and said well has been drilled to the Mississippian Chester series, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Deputy if on Federal land, of the Land Commissioner if on State land, or of the Conservation Division if on privately owned land, that further drilling of said well would be unwarranted or impracticable provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 9,100 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Deputy if on Federal land, of the Land Commissioner if on State land, or of the Conservation Division if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Deputy and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Deputy and Land Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Deputy and Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Deputy and Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Deputy and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Deputy, the Land Commissioner and the State Division, a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Deputy and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Deputy, the Land Commissioner, and the State Division.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Deputy and the Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Land Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Deputy and Land Commissioner, the Unit Operator shall submit for approval by the Deputy and Land Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Deputy and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Deputy and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Deputy and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Deputy and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except

1 that any participating area established under the provisions of this unit agree- 1
2 ment shall terminate automatically when all completions in the formation on 2
3 which the participating area is based are abandoned. 3
4

5 It is the intent of this section that a participating area shall represent 4
6 the area known or reasonably estimated to be productive in paying quantities; 5
7 but, regardless of any revision of the participating area, nothing herein con- 6
8 tained shall be construed as requiring any retroactive adjustment for production 7
9 obtained prior to the effective date of the revision of the participating area. 8
10 9

11 In the absence of agreement at any time between the Unit Operator and the 10
12 Deputy and the Land Commissioner as to the proper definition or redefinition 11
13 of a participating area, or until a participating area has, or areas have been 12
14 established as provided herein, the portion of all payments affected thereby 13
15 shall be impounded in a manner mutually acceptable to the owners of working 14
16 interests and the Deputy and the Land Commissioner. Royalties due the United 15
17 States and the State of New Mexico shall be determined by the Deputy and the 16
18 Land Commissioner, respectively, and the amounts thereof shall be deposited, 17
19 as directed by the Deputy and the Land Commissioner to be held as unearned 18
20 monies until a participating area is finally approved and then applied as 19
21 earned or returned in accordance with a determination of the sums due as Fed- 20
22 eral royalty and State of New Mexico royalty, respectively, on the basis of 21
23 such approved participating area. 22
24 23

25 Whenever it is determined, subject to the approval of the Deputy, as to 24
26 wells drilled on Federal land and the Land Commissioner as to wells drilled on 25
27 State land and of the Conservation Division as to wells drilled on privately 26
28 owned land, that a well drilled under this agreement is not capable of production 27
29 in paying quantities and inclusion of the land on which it is situated in a par- 28
30 ticipating area is unwarranted, production from such well shall, for the purpose 29
31 of settlement among all parties other than working interest owners, be allocated 30
32 to the land on which the well is located unless such land is already within the 31
33 participating area established for the pool or deposit from which such production 32
34 is obtained. Settlement for working interest benefits from such a well shall 33
35 be made as provided in the unit operating agreement. 34
36 35

37 12. ALLOCATION OF PRODUCTIONS: All unitized substances produced from 36
38 each participating area established under this agreement, except any part 37
39 thereof used in conformity with good operating practices within the unitized 38
40 area for drilling, operating, camp and other production or development pur- 39
41 poses, for repressuring or recycling in accordance with a plan of development 40
42 approved by the Deputy, the Land Commissioner and the Conservation Division, 41
43 or unavoidably lost, shall be deemed to be produced equally on an acreage basis 42
44 from the several tracts of unitized land of the participating area established 43
45 for such production and, for the purpose of determining any benefits accruing 44
46 under this agreement, each such tract of unitized land shall have allocated to 45
47 it such percentage of said production as the number of acres of such tract 46
48 included in said participating area bears to the total acres of unitized land 47
49 in said participating area, except that allocation of production hereunder for 48
50 purposes other than for settlement of the royalty, overriding royalty, or pay- 49
51 ment out of production obligations of the respective working interest owners, 50
52 shall be on the basis prescribed in the unit operating agreement whether in 51
53 conformity with the basis of allocation herein set forth or otherwise. It is 52
54 hereby agreed that production of unitized substances from a participating area 53
55 shall be allocated as provided herein regardless of whether any wells are 54
56 drilled on any particular part or tract of said participating area. If any gas 55
57 produced from one participating area is used for repressuring or recycling pur- 56
58 poses in another participating area, the first gas withdrawn from such last 57
59 mentioned participating area for sale during the life of this agreement shall 58
60 be considered to be the gas so transferred until an amount equal to that trans- 59
61 ferred shall be so produced for sale and such gas shall be allocated to the 60
62 participating area from which initially produced as such area was last defined 61
63 at the time of such final production. 62
64 63

65 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS: Any 64
66 party hereto owning or controlling the working interest in any unitized land 65
66 66

1 having thereon a regular well location may with the approval of the Deputy as 1
2 to Federal land, the Land Commissioner as to State land, and the Conservation 2
3 Division as to privately owned land, at such party's sole risk, costs, and 3
4 expense, drill a well to test any formation for which a participating area has 4
5 not been established or to test any formation for which a participating area 5
6 has been established if such location is not within said participating area, un- 6
7 less within 90 days of receipt of notice from said party of his intention to 7
8 drill the well the Unit Operator elects and commences to drill such a well in 8
9 like manner as other wells are drilled by the Unit Operator under this agreement. 9

10
11 If any well drilled as aforesaid by a working interest owner results in 11
12 production such that the land upon which it is situated may properly be included 12
13 in a participating area, such participating area shall be established or enlarged 13
14 as provided in this agreement and the well shall thereafter be operated by the 14
15 Unit Operator in accordance with the terms of this agreement and the unit 15
16 operating agreement. 16

17
18 If any well drilled as aforesaid by a working interest owner obtains pro- 18
19 duction in quantities insufficient to justify the inclusion of the land upon 19
20 which such well is situated in a participating area, such well may be operated 20
21 and produced by the party drilling the same subject to the conservation require- 21
22 ments of this agreement. The royalties in amount or value of production from 22
23 any such well shall be paid as specified in the underlying lease and agreements 23
24 affected. 24

25
26 14. ROYALTY SETTLEMENT: The United States, the State of New Mexico, and 26
27 any royalty owner who, is entitled to take in kind a share of the substances now 27
28 unitized hereunder shall hereafter be entitled to the right to take in kind its 28
29 share of the unitized substances, and Unit Operator, or the working interest 29
30 owner in case of the operation of a well by a working interest owner as herein 30
31 provided for in special cases, shall make deliveries of such royalty share 31
32 taken in kind in conformity with the applicable contracts, laws, and regulations. 32
33 Settlement for royalty interest not taken in kind shall be made by working 33
34 interest owners responsible therefore under existing contracts, laws and regu- 34
35 lations, or by the Unit Operator on or before the last day of each month for 35
36 unitized substances produced during the preceding calendar month; provided, how- 36
37 ever, that nothing herein contained shall operate to relieve the lessees of any 37
38 land from their respective lease obligations for the payment of any royalties 38
39 due under their leases. 39

40
41 If gas obtained from lands not subject to this agreement is introduced into 41
42 any participating area hereunder, for use in repressuring, stimulation of pro- 42
43 duction, or increasing ultimate recovery, in conformity with a plan of opera- 43
44 tions approved by the Deputy, the Land Commissioner and the Conservation Divi- 44
45 sion, a like amount of gas, after settlement as herein provided for any gas 45
46 transferred from any other participating area and with appropriate deduction for 46
47 loss from any cause, may be withdrawn from the formation into which the gas is 47
48 introduced, royalty free as to dry gas, but not as to any products which may be 48
49 extracted therefrom; provided that such withdrawal shall be at such time as may 49
50 be provided in the approved plan of operations or as may otherwise be consented 50
51 to by the Deputy, the Land Commissioner and the Conservation Division as conform- 51
52 ing to good petroleum engineering practice; and provided further, that such right 52
53 of withdrawal shall terminate on the termination date of this unit agreement. 53

54
55 Royalty due the United States shall be computed as provided in the operating 55
56 regulations and paid in value or delivered in kind as to all unitized substances 56
57 on the basis of the amounts thereof allocated to unitized Federal land as pro- 57
58 vided herein at the rates specified in the respective Federal leases, or at such 58
59 lower rate or rates as may be authorized by law or regulation; provided, that for 59
60 leases on which the royalty rate depends on the daily average production per 60
61 well, said average production shall be determined in accordance with the operat- 61
62 ing regulations as though each participating area were a single consolidated 62
63 lease. 63

64
65 Royalty due the State of New Mexico shall be computed and paid on the 65
66 66

basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

Royalty due on account of privately owned lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT: Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefore under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

16. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE: The Unit Operator shall take such measures as the Deputy and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases, and the Land Commissioner as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized

lands pursuant to direction or consent of the Secretary and the Land Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784):

"Any Federal lease heretofore or hereafter committed to any such unit plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to lands committed hereto with the termination hereof.

(h) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall

1 apply separately to such segregated portions commencing as of the effective 1
2 date hereof; provided, however, notwithstanding any of the provisions of this 2
3 agreement to the contrary any lease embracing lands of the State of New Mexico 3
4 having only a portion of its lands committed hereto shall continue in full 4
5 force and effect beyond the term provided therein as to all lands embraced in 5
6 such lease, if oil or gas is discovered and is capable of being produced in 6
7 paying quantities from some part of the lands embraced in such lease at the 7
8 expiration of the secondary term of such lease; or if, at the expiration of the 8
9 secondary term, the Lessee or the Unit Operator is then engaged in bona fide 9
10 drilling or re-working operations on some part of the lands embraced in such 10
11 lease, the same, as to all lands embraced therein, shall remain in full force and 11
12 effect so long as such operations are being diligently prosecuted, and if they 12
13 result in the production of oil or gas, said lease shall continue in full force 13
14 and effect as to all of the lands embraced therein, so long thereafter as oil or 14
15 gas in paying quantities is being produced from any portion of said lands. 15
16

17 19. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be 17
18 covenants running with the land with respect to the interest of the parties hereto 18
19 and their successors in interest until this agreement terminates, and any grant, 19
20 transfer, or conveyance, of interest in land or leases subject hereto shall be 20
21 and hereby is conditioned upon the assumption of all privileges and obligations 21
22 hereunder by the grantee, transferee, or other successor in interest. No assign- 22
23 ment or transfer of any working interest, royalty, or other interest subject 23
24 hereto shall be binding upon Unit Operator until the first day of the calendar 24
25 month after Unit Operator is furnished with the original, photostatic, or certi- 25
26 fied copy of the instrument of transfer. 26
27

28 20. EFFECTIVE DATE AND TERM: This agreement shall become effective upon 28
29 approval by the Secretary and the Land Commissioner or their duly authorized 29
30 representatives and shall terminate five (5) years from said effective date unless 30
31

32 (a) such date of expiration is extended by the Director and the Land 32
33 Commissioner, or 33
34

35 (b) it is reasonably determined prior to the expiration of the fixed 35
36 term or any extension thereof that the unitized land is incapable of production 36
37 of unitized substances in paying quantities in the formations tested hereunder 37
38 and after notice of intention to terminate the agreement on such ground is given 38
39 by the Unit Operator to all parties in interest at their last known addresses, 39
40 the agreement is terminated with the approval of the Supervisor and Land Com- 40
41 missioner, or 41
42

43 (c) a valuable discovery of unitized substances has been made or 43
44 accepted on unitized land during said initial term or any extension thereof, in 44
45 which event the agreement shall remain in effect for such term and so long as 45
46 unitized substances can be produced as to Federal Lands and are being produced 46
47 as to State Lands in quantities sufficient to pay for the cost of producing same 47
48 from wells on unitized land within any participating area established hereunder 48
49 and, should production cease, so long thereafter as diligent operations are in 49
50 progress for the restoration of production or discovery of new production and so 50
51 long thereafter as the unitized substances so discovered can be produced as 51
52 aforesaid, or 52

53 (d) it is terminated as heretofore provided in this agreement. This 53
54 agreement may be terminated at any time by not less than 75 per centum, on an 54
55 acreage basis, of the working interest owners signatory hereto, with the approval 55
56 of the Deputy and Land Commissioner; notice of any such approval to be given 56
57 by the Unit Operator to all parties hereto. 57
58

59 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION: The Manager is hereby 59
60 vested with authority to alter or modify from time to time in his discretion the 60
61 quantity and rate of production under this agreement when such quantity and rate 61
62 is not fixed pursuant to Federal or State law or does not conform to any state- 62
63 wide voluntary conservation or allocation program, which is established, recog- 63
64 nized, and generally adhered to by the majority of operators in such State, such 64
65 authority being hereby limited to alteration or modification in the public in- 65
66 terest, the purpose thereof and the public interest to be served thereby to be 66

1 stated in the order of alteration or modification. Without regard to the fore- 1
2 going, the Manager is also hereby vested with authority to alter or modify from 2
3 time to time in his discretion the rate of prospecting and development and the 3
4 quantity and rate of production under this agreement when such alteration or 4
5 modification is in the interest of attaining the conservation objectives stated 5
6 in this agreement and is not in violation of any applicable Federal or State law. 6
7 Provided further, that no such alteration or modification shall be effective as to 7
8 any land of the State of New Mexico, as to the rate of prospecting and developing 8
9 in the absence of the specific written approval thereof by the Commissioner and 9
10 as to any lands of the State of New Mexico or privately owned lands subject to 10
11 this agreement as to the quantity and rate of production in the absence of specific 11
12 written approval thereof by the Division. 12
13

14 Powers in this section vested in the Manager shall only be exercised after 14
15 notice to Unit Operator and opportunity for hearing to be held not less than 15
16 days from notice. 16
17

18 22. APPEARANCES: Unit Operator shall, after notice to other parties 18
19 affected, have the right to appear for and on behalf of any and all interests 19
20 affected hereby before the Department of the Interior, the Commissioner of Public 20
21 Lands of the State of New Mexico and the New Mexico Oil Conservation Division and 21
22 to appeal from orders issued under the regulations of said Department, the Conser- 22
23 vation Division or Land Commissioner or to apply for relief from any of said 23
24 regulations or in any proceedings relative to operations before the Department 24
25 of the Interior, the Land Commissioner, or Conservation Division or any other 25
26 legally constituted authority; provided, however, that any other interested party 26
27 shall also have the right at his own expense to be heard in any such proceedings. 27
28

29 23. NOTICES: All notices, demands or statements required hereunder to be 29
30 given or rendered to the parties hereto shall be deemed fully given if given in 30
31 writing and personally delivered to the party or sent by postpaid registered or 31
32 certified mail, addressed to such party or parties at their respective addresses 32
33 set forth in connection with the signatures hereto or to the ratification or 33
34 consent hereof or to such other address as any such party may have furnished in 34
35 writing to party sending the notice, demand or statement. 35
36

37 24. NO WAIVER OF CERTAIN RIGHTS: Nothing in this agreement contained shall 37
38 be construed as a waiver by any party hereto of the right to assert any legal or 38
39 constitutional right or defense as to the validity or invalidity of any law of 39
40 the State wherein said unitized lands are located, or of the United States, or 40
41 regulations issued thereunder in any way affecting such party, or as a waiver by 41
42 any such party of any right beyond his or its authority to waive. 42
43

44 25. UNAVOIDABLE DELAY: All obligations under this agreement requiring the 44
45 Unit Operator to commence or continue drilling or to operate on or produce unitized 45
46 substances from any of the lands covered by this agreement shall be suspended 46
47 while the Unit Operator, despite the exercise of due care and diligence, is 47
48 prevented from complying with such obligations, in whole or in part, by strikes, 48
49 acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, 49
50 uncontrollable delays in transportation, inability to obtain necessary materials 50
51 in open market, or other matters beyond the reasonable control of the Unit Operator 51
52 whether similar to matters herein enumerated or not. No unit obligation which is 52
53 suspended under this section shall become due less than thirty (30) days after it 53
54 has been determined that the suspension is no longer applicable. Determination 54
55 of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject 55
56 to approval of the Deputy and the Land Commissioner. 56
57

58 26. NONDISCRIMINATION: In connection with the performance of work under 58
59 this agreement, the Unit Operator agrees to comply with all the provisions of 59
60 section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as 60
61 amended, which are hereby incorporated by reference in this agreement. 61
62
63
64
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66

1 27. LOSS OF TITLE: In the event title to any tract of unitized land shall 1
2 fail and the true owner cannot be induced to join in this unit agreement, such 2
3 tract shall be automatically regarded as not committed hereto and there shall be 3
4 such readjustment of future costs and benefits as may be required on account of 4
5 the loss of such title. In the event of a dispute as to title as to any royalty, 5
6 working interest, or other interests subject thereto, payment or delivery on 6
7 account thereof may be withheld without liability for interest until the dispute 7
8 is finally settled; provided, that, as to Federal and State land or leases, no 8
9 payments of funds due the United States or the State of New Mexico should be 9
10 withheld, but such funds of the United States shall be deposited as directed by 10
11 the Deputy and such funds of the State of New Mexico shall be deposited as 11
12 directed by the Land Commissioner to be held as unearned money pending final 12
13 settlement of the title dispute, and then applied as earned or returned in 13
14 accordance with such final settlement. 14
15

16 Unit Operator as such is relieved from any responsibility for any defect or 16
17 failure of any title hereunder. 17
18

19 28. NON-JOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial 19
20 interest in a tract within the unit area fails or refuses to subscribe or consent 20
21 to this agreement, the owner of the working interest in that tract may withdraw 21
22 said tract from this agreement by written notice delivered to the Deputy, and 22
23 the Land Commissioner and the Unit Operator prior to the approval of this agreement 23
24 by the Deputy. Any oil or gas interests in lands within the unit area not commit- 24
25 ted hereto prior to submission of this agreement for final approval may thereafter 25
26 be committed hereto by the owner or owners thereof subscribing or consenting to 26
27 this agreement, and, if the interest is a working interest, by the owner of such 27
28 interest also subscribing to the unit operating agreement. After operations are 28
29 commenced hereunder, the right of subsequent joinder, as provided in this section, 29
30 on by a working interest owner is subject to such requirements or approvals, if 30
31 any, pertaining to such joinder, as may be provided for in the unit operating 31
32 agreement. After final approval hereof, joinder by a non-working interest owner 32
33 must be consented to in writing by the working interest owner committed hereto 33
34 and responsible for the payment of any benefits that may accrue hereunder in 34
35 behalf of such non-working interest. A non-working interest may not be committed 35
36 to this unit agreement unless the corresponding working interest is committed 36
37 hereto. Joinder to the unit agreement by a working interest owner, at any 37
38 time, must be accompanied by appropriate joinder to the unit operating agreement, 38
39 if more than one committed working interest owner is involved, in order for the 39
40 interest to be regarded as committed to this unit agreement. Except as may 40
41 otherwise herein be provided, subsequent joinders to this agreement shall be 41
42 effective as of the first day of the month following the filing with the Deputy, 42
43 the Land Commissioner and the Conservation Division of duly executed counterparts 43
44 of all or any papers necessary to establish effective commitment of any tract to 44
45 this agreement unless objection to such joinder is duly made with 60 days by the 45
46 Deputy or Land Commissioner, provided, that as to State Lands, all subsequent 46
47 joinders must be approved by the Land Commissioner. 47
48

49 29. COUNTERPARTS: This agreement may be executed in any number of counter- 49
50 parts no one of which needs to be executed by all parties or may be ratified or 50
51 consented to by separate instrument in writing specifically referring hereto and 51
52 shall be binding upon all those parties who have executed such a counterpart, 52
53 ratification, or consent hereto with the same force and effect as if all such 53
54 parties had signed the same document and regardless of whether or not it is 54
55 executed by all other parties owning or claiming an interest in the lands within 55
56 the above-described unit area. 56
57

58 30. SURRENDER: Nothing in this agreement shall prohibit the exercise by 58
59 any working interest owner of the right to surrender vested in such party by any 59
60 lease, sublease, or operating agreement as to all or any part of the lands covered 60
61 thereby, provided that each party who will or might acquire such working interest 61
62 by such surrender or by forfeiture as hereafter set forth, is bound by the terms 62
63 of this agreement. 63
64
65
66

1 If as a result of any such surrender the working interest rights as to such 1
2 lands become vested in any party other than the fee owner of the unitized sub- 2
3 stances, said party may forfeit such rights and further benefits from operation 3
4 hereunder as to said land to the party next in the chain of title who shall be 4
5 and become the owner of such working interest. 5
6

7 If as the result of any such surrender or forfeiture working interest rights 7
8 become vested in the fee owner of the unitized substances, such owner may: 8
9

10 (1) Accept those working interest rights subject to this agreement and the 10
11 unit operating agreement; or 11
12

13 (2) Lease the portion of such land as is included in a participating area es- 13
14 tablished hereunder subject to this agreement and the unit operating agreement; or 14
15

16 (3) Provide for the independent operation of any part of such land that are 16
17 not then included within a participating area established hereunder. 17
18

19 If the fee owner of the unitized substances does not accept the working inter- 19
20 est rights subject to this agreement and the unit operating agreement or lease such 20
21 lands as above provided within six (6) months after the surrendered or forfeited 21
22 working interest rights become vested in the fee owner, the benefits and obliga- 22
23 tions of operations accruing to such lands under this agreement and the unit opera- 23
24 ting agreement shall be shared by the remaining owners of unitized working inter- 24
25 ests in accordance with their respective working interest ownerships, and such 25
26 owners of working interests shall compensate the fee owner of unitized substances 26
27 in such lands by paying sums equal to the rentals, minimum royalties, and royalties 27
28 applicable to such lands under the lease in effect when the lands were unitized. 28
29

30 An appropriate accounting and settlement shall be made for all benefits ac- 30
31 cruing to or payments and expenditures made or incurred on behalf of such surren- 31
32 dered or forfeited working interest subsequent to the date of surrender or forfei- 32
33 ture, and payment of any monies found to be owing by such an accounting shall be 33
34 made as between the parties within thirty (30) days. In the event no unit opera- 34
35 ting agreement is in existence and a mutually acceptable agreement between the 35
36 proper parties thereto cannot be consummated, the Deputy may prescribe such rea- 36
37 sonable and equitable agreement as he deems warranted under the circumstances. 37
38

39 The exercise of any right vested in a working interest owner to reassign 39
40 such working interest to the party from whom obtained shall be subject to the 40
41 same conditions as set forth in this section in regard to the exercise of a 41
42 right to surrender. 42
43

44 31. TAXES: The working interest owners shall render and pay for their 44
45 account and the account of the royalty owners all valid taxes on or measured by 45
46 the unitized substances in and under or that may be produced, gathered and sold 46
47 from the land subject to this contract after the effective date of this agreement, 47
48 or upon the proceeds or net proceeds derived therefrom. The working interest 48
49 owners on each tract shall and may charge the proper proportion of said taxes to 49
50 the royalty owners having interests in said tract, and may currently retain and 50
51 deduct sufficient of the unitized substances of derivative products, or net 51
52 proceeds thereof from the allocated share of each royalty owner to secure reim- 52
53 bursement for the taxes so paid. No such taxes shall be charged to the United 53
54 States or the State of New Mexico or to any lessor who has a contract with his 54
55 lessee which requires the lessee to pay such taxes. 55
56

57 32. NO PARTNERSHIP: It is expressly agreed that the relation of the parties 57
58 hereto is that of independent contractors and nothing in this agreement contained, 58
59 expressed or implied, nor any operations conducted hereunder, shall create or be 59
60 deemed to have created a partnership or association between the parties hereto or 60
61 any of them. 61
62
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66

1 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 1
2 executed and have set opposite their respective names the date of execution. 2
3
4
5

6 UNIT OPERATOR 6
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10 ATTEST: 10

HARVEY E. YATES COMPANY 11

12
13
14 _____ Assistant Secretary 14

By: _____ President 15
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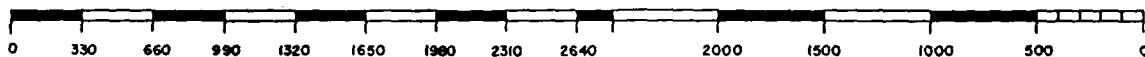
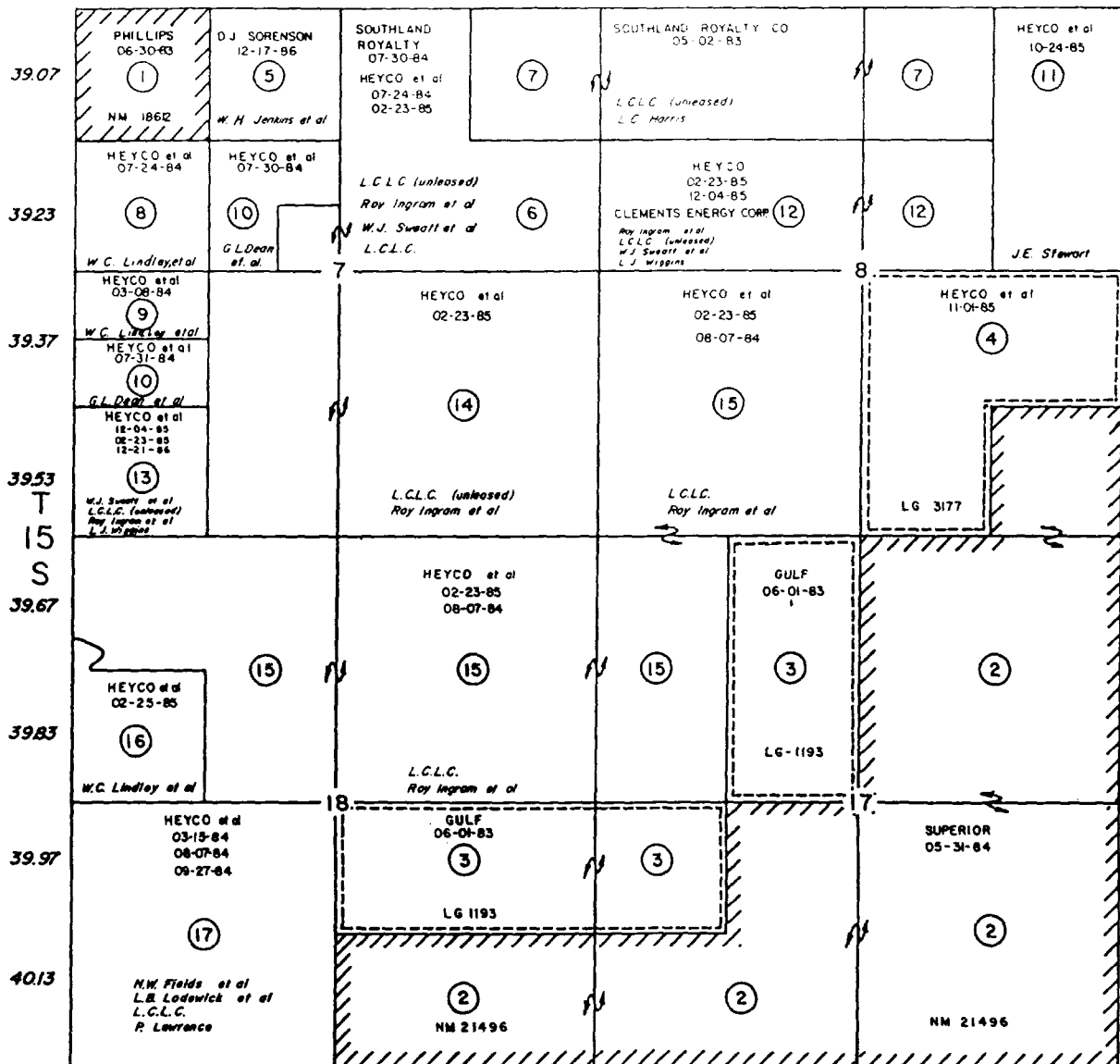
22 STATE OF NEW MEXICO) 22
23) §§ 23
24 COUNTY OF CHAVES) 24
25

26 The foregoing instrument was acknowledged before me this 15th day of 26
27 October, 19 82, by GEORGE M. YATES, President of HARVEY E. YATES COMPANY, 27
28 a New Mexico Corporation, on behalf of said corporation. 28
29
30

31 My Commission Expires: 31
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35 _____ Notary Public 35
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R-27-E



LEGEND




- ⑫ - TRACT NUMBER - as listed on exhibit "B"
-  - FEDERAL LANDS - 599.07 acs., 23.43% of unit area
-  - STATE LANDS - 320.0 acs., 12.52% of unit area
-  - PATENTED LANDS - 1637.73 acs., 64.05% of unit area

EXHIBIT "A"

BUFFALO LAKE UNIT AREA

T-15-S, R-27-E NMPM
CHAVES COUNTY, NEW MEXICO

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

BUFFALO LAKE UNIT

CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>Township 15 South, Range 27 East, N.M.P.M.</u>							
<u>FEDERAL LANDS:</u>							
1	Sec. 7: Lot 1 (NW¼NW¼)	39.07	NM-18612 6-30-83	U.S.A. - A11 12.5%	Phillips Petroleum Company 100%	Frank Yates 5%	Phillips Petroleum Company 100%
2	Sec. 8: SE¼SE¼ Sec. 17: E¼, NE¼SW¼, S¼SW¼ Sec. 18: S¼SE¼	560.00	NM-21496 5-31-84	U.S.A. - A11 12.5%	Superior Oil Company 100%	A. Lansdale John Gates 4% 1%	Superior Oil Company 100%

STATE OF NEW MEXICO LANDS:

3	Sec. 17: E ₂ NW ₄ , NW ₄ SW ₄	200.00	LG-1193 6-1-83	St. of N.M. - A11 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
4	Sec. 8: N ₂ SE ₄ , SW ₄ SE ₄	120.00	LG-3177 11-1-85	St. of N.M. - A11 12.5%	Harvey E. Yates Company 100%	W. T. Wynn 1%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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PATENTED (FEE) LANDS:

5	Sec. 7: NE ¹ / ₄ NW ¹ / ₄	40.0 Gross (5.0 Net)	12-17-86	Veda Josephine Storey 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (5.0 Net)	12-17-86	Lindon C. Jenkins 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (1.875 Net)	12-17-86	Herbert R. Dority 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (5.0 Net)	12-17-86	Vern H. Jenkins 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (5.0 Net)	12-17-86	Ruth Emma Rhodes 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (5.0 Net)	12-17-86	Paul W. Jenkins 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (1.25 Net)	2-9-87	H. R. Pierce 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
(PATENTED LANDS....Continued)							
6	Sec. 7: NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.0 Gross (5.0 Net)	2-17-87	Lois Stella Mae Titus 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (5.0 Net)	8-19-87	Wayne W. Jenkins 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		40.0 Gross (1.875 Net)	8-19-87	Linda M. Broadston 12.5%	David J. Sorenson 100%	Carl Schellinger .0625%	David J. Sorenson 100%
		130.0 Gross (16.25 Net)	Unleased	Lincoln County Land & Cattle Company			
		130.0 Gross (32.5 Net)	7-30-84	W.J. Sweatt, et al 18.75%	Southland Royalty Company 100%	None	Southland Royalty Company 100%
		130.0 Gross (32.5 Net)	7-30-84	Lois J. Wiggins 18.75%	Southland Royalty Company 100%	None	Southland Royalty Company 100%
		130.0 Gross (16.25 Net)	Unleased	Diamond "A" Cattle Company			

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
(PATENTED LANDS...Continued)							
7	Sec. 7: NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8: N $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$	130.0 Gross (32.5 Net)	2-23-85	Roy E. Ingram, Individually & as Attorney-in-Fact for H.V. Parker, Jr., Robert Dwain Parker, Helen Parker Tidwell & Dwain Howard 18.75%	Harvey E. Yates Company 100%	W. T. Wynn 1%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
		160.0 Gross (32.0 Net)		Uncommitted			
		160.0 Gross (64.0 Net)	Unleased	Lincoln County Land & Cattle Company			
		160.0 Gross (64.0 Net)	Unleased	Diamond "A" Cattle Company			

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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(PATENTED LANDS....Continued)

8	Sec. 7: Lot 2 (SW¼NW¼)	39.23	7-24-84	Walter C. Lindley, Jr. 1/3 of 18.75% Louise L. Morgan 1/3 of 18.75% Molly L. Byrne 1/3 of 18.75%	Harvey E. Yates Company 100%	W.T. Wynn Corbett Petroleum, Inc. .75% R.C. Smith .25%	Harvey E. Yates Company 44.240934% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5% Explorers Petroleum Corporation 7.5% Yates Energy Corporation 21.656463% Cibola Energy Corporation 11.602603%
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9	Sec. 7: N½ Lot 3 (N½NW¼SW¼)	19.685 Net	3-8-84	Walter C. Lindley, Jr. 1/3 of 15.625% Louise L. Morgan 1/3 of 15.625% Molly L. Byrne 1/3 of 15.625%	Harvey E. Yates Company 100%	W. T. Wynn Corbett Petroleum, Inc. .50% .75%	Harvey E. Yates Company 44.240934% Spiral, Inc. 7.5% Explorers Petroleum Corporation 7.5% Fred G. Yates, Inc. 7.5% Yates Energy Corporation 21.656463% Cibola Energy Corporation 11.602603%
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EXHIBIT "B"
BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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(PATENTED LANDS....Continued)

10	Sec. 7: S½ Lot 3 (S½NW¼SW¼) N½SE¼NW¼, SW¼SE¼NW¼	49.685 Gross (24.8425 Net)	7-30-84	Dorothy Bise 15.625%	Harvey E. Yates Company 100%	W. T. Wynn Corbett Petro- leum, Inc. R. C. Smith .50% .75% .25%	Harvey E. Yates Company 52.030468% Spiral, Inc. Fred G. Yates, Inc. 7.5% 7.5%
							Explorers Petroleum Corporation Yates Energy Corporation 25.469532%
		49.685 Gross (24.8425 Net)	7-31-84	George L. Dean 15.625%	Harvey E. Yates Company 100%	W. T. Wynn R. C. Smith Corbett Petro- leum, Inc. .50% .25% .75%	Harvey E. Yates Company 52.030468% Spiral, Inc. Fred G. Yates, Inc. 7.5% 7.5%
							Explorers Petroleum Corporation Yates Energy Corporation 25.469532%
11	Sec. 8: E½NE¼	80.0	10-24-85	James E. Stewart 18.75%	Harvey E. Yates Company 100%	W. T. Wynn 1%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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(PATENTED LANDS...Continued)

12	Sec. 8: S $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$	120.0 Gross (30.0 Net)	12-4-85	Violet Sweatt $\frac{1}{4}$ of 18.75% W. J. Sweatt $\frac{1}{4}$ of 18.75% Richard V. Sweatt $\frac{1}{4}$ of 18.75% Marlene Vestal $\frac{1}{4}$ of 18.75%	Harvey E. Yates Company 100%	W. T. Wynn 1%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
		120.0 Gross (30.0 Net)	12-5-85	Lois J. Wiggins 18.75%	Clements Energy, Inc. 100%	Barnes, Eimers & New- kumet S. Gerrity 4% 1.545%	Clements Energy, Inc. 100%
		120.0 Gross (30.0 Net)	2-23-85	Roy E. Ingram individually & as Attorney-in- Fact for H.V. Parker, Jr., Robert Dwain Parker, Helen Parker Tidwell & Dwain Howard 18.75%	Harvey E. Yates Company 100%	W.T. Wynn 1%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
(PATENTED LANDS...Continued)							
13	Sec. 7: Lot 4 (SW $\frac{1}{4}$ SW $\frac{1}{4}$)	120.0 Gross (15.0 Net)	Unleased	Lincoln County Land & Cattle Company			
		120.0 Gross (15.0 Net)	Unleased	Diamond "A" Cattle Company			
		39.53 Gross (4.94125 Net)	12-4-85	Violet Sweatt $\frac{1}{4}$ of 18.75% W. J. Sweatt $\frac{1}{4}$ of 18.75% Richard V. Sweatt $\frac{1}{4}$ of 18.75% Marlene Vestal $\frac{1}{4}$ of 18.75%	Harvey E. Yates Company	100%	W.T. Wynn 1% Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
		39.53 Gross (19.765 Net)	2-23-85	Roy E. Ingram Individually & as Attorney-in-Fact for H.V. Parker, Jr. Robert Dwain Parker, Helen Parker Tidwell & Dwain Howard	Harvey E. Yates Company	100%	W.T. Wynn 1% Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
				18.75%			

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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(PATENTED LANDS....Continued)

14	Sec. 7: SE ¹ ₄ , E ¹ ₂ SW ¹ ₄	39.53 Gross (4.94125 Net)	Unleased	Lincoln County Land & Cattle Company			
		39.53 Gross (4.94125 Net)	Unleased	Diamond "A" Cattle Company			
		39.53 Gross (4.94125 Net)	12-21-86	Lois J. Wiggins 18.75%	Harvey E. Yates Company	100%	W.T. Wynn 1% Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
(PATENTED LANDS....Continued)							
15	Sec. 8: SW $\frac{1}{4}$	240.0 Gross	2-23-85	Roy E. Ingram, Individually & as Attorney-in-Fact for H.V. Parker, Jr., Robert D. Parker, Helen Parker Tidwell & Dwain Howard	Harvey E. Yates Company	W. T. Wynn	Harvey E. Yates Company
	Sec. 17: W $\frac{1}{2}$ NW $\frac{1}{4}$	(120.0 Net)			100%	1%	57.085077% Cibola Energy Corporation
	Sec. 18: NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$ and that part of Lot 1 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) that lies East of the Pecos River	(255.0 Net)					Yates Energy Corporation 27.943823%
		510.0 Gross	8-7-84	Lincoln County Land & Cattle Company, et al	Harvey E. Yates Company	W. T. Wynn	Harvey E. Yates Company
		(255.0 Net)		12.5%	100%	3.125%	57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
		510.0 Gross	2-23-85	Roy E. Ingram, Individually & as Attorney-in-Fact for H.V. Parker, Jr., Robert D. Parker, Helen Parker Tidwell & Dwain Howard	Harvey E. Yates Company	W. T. Wynn	Harvey E. Yates Company
		(255.0 Net)			100%	1%	57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
(PATENTED LANDS....Continued)							
16	Sec. 18: Lot 2 (SW $\frac{1}{4}$ NW $\frac{1}{4}$) and that part of Lot 1 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) that lies West of the Pecos River	49.50	2-25-85	Walter Lindley 1/3 of 12.5% Louise L. Morgan 1/3 of 12.5% Molly L. Byrne 1/3 of 12.5%	Harvey E. Yates Company 100%	W. T. Wynn John Gates 3.125% 3.125%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
17	Sec. 18: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ (Being the SW $\frac{1}{4}$)	160.10 Gross (20.0125 Net)	9-27-84	Percy Lawrence 12.5%	Harvey E. Yates Company 100%	W. T. Wynn John Gates 3.125% 3.125%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%
		160.10 Gross (80.05 Net)	8-7-84	Lincoln County Land & Cattle Company, et al 12.5%	Harvey E. Yates Company 100%	W. T. Wynn John Gates 3.125% 3.125%	Harvey E. Yates Company 57.085077% Cibola Energy Corporation 14.971100% Yates Energy Corporation 27.943823%

BUFFALO LAKE UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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(PATENTED LANDS....Continued)

160.10 Gross (6.670833 Net)	6-15-83	Lodewick Energy, Inc. 25%	Harvey E. Yates Company	100%	W. T. Wynn	.50%	Harvey E. Yates Company 52.030468% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5%
Uncommitted							
160.10 Gross (33.354167 Net)							Explorers Petroleum Corporation 7.5% Yates Energy Corporation 25.469532%

Sec. 18: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ (Being the SW $\frac{1}{4}$)	160.10 Gross (20.0125 Net)	3-15-84	Well W. Fields 1/3 of 15.625% Mary W. Smith 1/3 of 15.625% Dorothy Sacra 1/3 of 15.625%	Harvey E. Yates Company	100%	W. T. Wynn Corbett Petro- leum, Inc. .75%	Harvey E. Yates Company 52.030468% Spiral, Inc. 7.5% Fred G. Yates, Inc. 7.5%
Explorers Petroleum Corporation 7.5% Yates Energy Corporation 25.469532%							

13 Patented (Fee) Tracts: 1,637.73 acres - 64.053895% of Unit Area



ALEX J. ARMIJO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

July 7, 1982

JUL 09 1982

BEFORE EXAMINER <u>Michael E. Stegner</u>
OIL CONSERVATION DIVISION
Applicant's EXHIBIT NO. <u>3-a</u>
CASE NO. <u>7807</u>
SUBMITTED BY <u>Harvey E. Yates Co</u>
HEARING DATE <u>3-2-83</u>

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501X
87504-1148

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Re: Reconsideration of Preliminary Approval
for proposed Buffalo Lake Unit
Chaves County, New Mexico.

ATTENTION: Mr. Thomas J. Hall, III

Gentlemen:

The above mentioned unit agreement has been resubmitted to this office for preliminary approval and we find that the form of agreement meets the requirements of the Commissioner of Public Lands with the exception of some corrections which will have to be made. Preliminary Approval is given with the understanding that the following corrections will be made.

1. On page 5 in Section 9 please insert and Land Commissioner as marked on the copy enclosed.
2. On page 6 Subsection 10 (b) the second paragraph must also include State Division.
3. All of Section 22 CONFLICT OF SUPERVISION should be left out.
4. On Exhibit "B" Tract No. 2, should reflect the correct description, please include Sec. 17 E $\frac{1}{2}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, Sec. 18 S $\frac{1}{2}$ SE $\frac{1}{4}$

When submitting your agreement for final approval please follow closely the requirements as stated on our letter of June 23, 1980.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: Floyd O. Prando
FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505/827-2748

AJA/FOP/pm
encls.

cc: Administration

Processing completed: 7-16-82 ci

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 88201

July 16, 1982

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

Attention: Floyd O. Prando

Re: Proposed Buffalo Lake Unit
Sections 7, 8, 17, 18
T-15S, R-27E, N.M.P.M.
Chaves County, New Mexico
(HEYCO Ref: 9052)

Gentlemen:

Enclosed please find three copies of the revisions to the proposed Buffalo Lake Unit Agreement as requested in your letter of July 7, 1982. Because of the deletion of Section 22, Page 12, all paragraphs thereafter have been renumbered accordingly and those pages are also attached.

These revisions are being submitted this date to the Minerals Management Service, Deputy Conservation Manager for Oil and Gas.

Yours truly,

Carlyn M. Jarm
Project Coordinator

CJ/jm
Enclosures

EXHIBIT 3-6

RECEIVED JUL 22 1982

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

July 21, 1982

P. O. BOX 1148
SANTA FE, NEW MEXICO ~~87501~~
87504-1148

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Re: Proposed Buffalo Lake Unit
Chaves County, New Mexico

ATTENTION: Carlyn M. Jarm

Gentlemen:

This office is in receipt of your letter dated July 16, 1982, together with the revisions to the proposed Buffalo Lake Unit Agreement as requested in our letter of July 7, 1982. There is still one revision which must be made. On Exhibit "B" Tract No. 2 the correct description for Section 17 should be E $\frac{1}{2}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$. *

Enclosed are two copies of the above mentioned revisions which are surplus to our need.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-2748

AJA/RDG/pm

encls.

cc: Administration

* Corrected 7-23-82 cj

EXHIBIT 3-C

HEYCO

HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS



P O BOX 1933

SUITE 300 SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL NEW MEXICO 88201

July 16, 1982

Deputy Conservation Manager
for Oil and Gas
Minerals Management Service
505 Marquette Ave., N.W.
Suite 815
Albuquerque, New Mexico 87102

Attention: Joe Lara

BEFORE EXAMINER	<i>Michael E. Stover</i>
OIL CONSERVATION DIVISION	
<i>Applicant's</i> EXHIBIT NO.	<u>4-a</u>
CASE NO.	<u>7807</u>
SUBMITTED BY	<i>Harvey E. Yates Co.</i>
HEARING DATE	<u>3-2-83</u>

Re: Proposed Buffalo Lake Unit
Sections 7, 8, 17, 18
T-15S, R-27E, N.M.P.M.
Chaves County, New Mexico
(HEYCO REF: 9052)

Gentlemen:

Enclosed please find four (4) copies of revisions to the proposed Buffalo Lake Unit Agreement as requested by the Commissioner of Public Lands.

The revisions are set out as follows:

1. Page 5, Section 9: Land Commissioner has been inserted on lines 46 and 51. State Division has been inserted on line 65.
2. Page 6, Subparagraph 10(b): State Division has been inserted on line 16.
3. Page 12, Section 22: The Commissioner has requested that Section 22 "Conflict of Supervision" be deleted.
4. Sections 23 through 33 have been renumbered accordingly in regard to revision #3.
5. Exhibit "B" - Tract No. 2: The description of NM-21496 has been corrected to include Section 17: E/2, NE/4 SW/4, S/2 SW/4 and Section 18: S/2 SE/4.

Yours truly,

Carlyn M. Jarm
Project Coordinator

CJ/jm
Enclosures



IN REPLY
REFER TO:

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
SOUTH CENTRAL REGION
505 MARQUETTE AVENUE, N.W., SUITE 815
ALBUQUERQUE, NEW MEXICO 87102

OCT 08 1982

Harvey E. Yates Company
Attention: Joe Hall
P. O. Box 1933
Roswell, New Mexico 88201

Gentlemen:

Your application of June 30, 1982, filed with the Deputy Minerals Manager, Oil and Gas, Albuquerque, New Mexico, requests the designation of the Buffalo Lake unit area, embracing 2,556.80 acres, more or less, Chaves County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit "A" Buffalo Lake Unit Area" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Mississippian Chester, or to a depth of 9,100 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Minerals Manager, Oil and Gas, for preliminary approval.

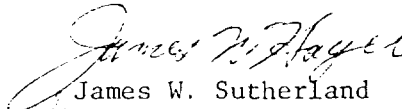
In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Deputy Minerals Manager, Oil and Gas, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B," follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

BEFORE EXAMINER <u>Michael E. Stoguer</u>
OIL CONSERVATION DIVISION
<u>Applicant's</u> EXHIBIT NO. <u>4-b</u>
CASE NO. <u>7807</u>
SUBMITTED BY <u>Harvey E. Yates Co.</u>
HEARING DATE <u>3-2-83</u>

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,


James W. Sutherland
Minerals Manager
For the Director

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6905
Order No. R-6364

APPLICATION OF HARVEY E. YATES
COMPANY FOR APPROVAL OF THE
BUFFALO LAKE UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 21, 1980,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of June, 1980, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Harvey E. Yates Company, seeks
approval of the Buffalo Lake Unit Agreement covering 2,556.8
acres, more or less, of State, Federal and Fee lands described
as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Sections 7 and 8: All
Sections 17 and 18: All

(3) That all plans of development and operation and crea-
tions, expansions, or contractions of participating areas or
expansions or contractions of the unit area, should be submitted
to the Director of the Division for approval.

BEFORE EXAMINER Michael E. Skymen
OIL CONSERVATION DIVISION
Applicant's EXHIBIT NO. 5
• AGEND. 7807
SUBMITTED BY Harvey E. Yates Co.
HEARING DATE 3-2-83

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Buffalo Lake Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

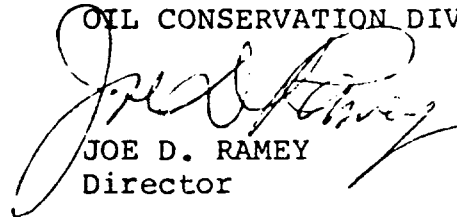
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-3-
Case No. 6905
Order No. R-6364

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

S E A L

fd/