

from the OCD. Therefore, drilling on the pooled acreage, which began before the expiration of the primary term and extended across expiration of the primary term, to obtain a productive well was drilling on the Leases which was an act saving the Leases according to their terms. TMBR/Sharp satisfied the remaining requirement of the Leases, i.e., filing a unit designation, twice. First, it filed Form C-102 with the OCD to obtain its permit. Second, it filed a unit designation in the Lea County records after completion of the Well.

II. STATEMENT OF FACTS

A. THE LEASES

1. The first lease ("First Lease") is an oil and gas lease made effective December 7, 1997 between Madeline Stokes and Ameristate Oil & Gas, Inc. ("Ameristate"), and is recorded in Book 827, page 128 of the Records of Lea County, New Mexico, as amended by instrument dated August 10, 2000. *A certified copy of the First Lease is attached hereto as Exhibit "A".*

2. The second lease ("Second Lease") is a lease made effective December 7, 1997 between Erma Stokes Hamilton and Ameristate, and is filed in Book 827, page 124 of the Records of Lea County, New Mexico as amended by instrument dated August 14, 2000. *A certified copy of the Second Lease is attached hereto as Exhibit "B".*

3. The First and Second Leases (collectively referred to herein as the "Original Stokes Leases" or the "First Lease" and "Second Lease" or the "Leases") were amended on August 10, 2000 and August 14, 2000, respectively, by Lessors and Ameristate¹ to create a

¹ TMBR/Sharp is a successor in interest to Ameristate by assignment of the First Lease and Second Lease effective in September of 1999. *See Affidavit of Jeffrey D. Phillips attached hereto as Exhibit "D".*