

10. The Well currently produces approximately 15 barrels of oil and 500 mcf of gas per day. *See Exhibit "D"*.

11. The Well cost over \$1,000,000.00 to drill and complete. *See Exhibit "D"*.

12. There has been no cessation of operations on the lease for 180 consecutive days since drilling began on March 29, 2001. *See Exhibit "D"*.

13. On July 20, 2001, a unit designation describing the acreage covered by the unit plat dedication previously filed with the OCS was filed in the Records of Lea County, New Mexico. It included 40 acres under the Original Stokes Leases. *A certified copy of the Unit Designation is attached as Exhibit "G"*.

14. The Original Stokes Leases each provides in Paragraph 5 in pertinent part:

"Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas . . . . Lessee shall file a written unit designation in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production *from any part of any such unit* shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease."

*See Exhibits "A" & "B" at Paragraph 5.*