

The Original Stokes Leases further provide:

“Notwithstanding anything contained hereinabove to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby...unless lessee is producing oil, gas, or other hydrocarbons from any well on the leased premises, or lands pooled therewith, or is drilling upon said lands across the expiration of the primary term as provided for in the body of the lease, and does not allow more than 180 days to elapse between the completion...of one well on such land and the commencement of another well thereon”

See Exhibits “A” and “B” at paragraph 12.

A. The Original Stokes Leases Are Properly Pooled

The Original Stokes Leases are in full force and effect because TMBR/Sharp was drilling upon lands properly pooled with the lands covered by the Original Stokes Leases across the expiration of the primary term as provided for in Paragraph 5 of the Original Stokes Leases. “Pooling is defined as ‘the bringing together of small tracts sufficient for the granting of a well permit under the applicable spacing rules’.” *Uhden v. New Mexico Oil Conservation Commission*, 112 N.M. 528; 817 P.2d 721, 723 (1991) (quoting 8 H. Williams and C. Meyers, *Oil and Gas Law* 727 (1987)). The written unit designation filed in Lea County with the OCD on November 17, 2000, brought together small tracts, therefore, satisfying both the definition of “pooling” and the obligations of Paragraph 5 of the Original Stokes Leases to properly pool the NW/4 SW/4 of Section 25, T-16-S, R-35-E, into a unit comprised of the W/2 of said Section 25.

Although the Original Stokes Leases are not the drill site location for the Well, 40 acres of the Original Stokes Leases are within the unit designation filed with the OCD in Lea County prior to drilling during the primary term **and** in the Lea County Records after completion of the