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A CONTRACTOR OF THE PROPERTY O

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OIL & GAS LEASE

THIS AGREEMENT made this August 25, 1997, but effective December 7, 1997, between Madeline Stokes, dealing in her sole and separate property, whose address is P.O. Box 1115, Ozona, Texas 76943, heron called lower (whether one or more) and lossee AMERISTATE OIL & GAS, INC., 1211 WEST TEXAS STREET, MIDIAND, TEXAS 79701.

1. Learn; in consideration of TEN AND 00/100th ENLARS cash in hand paid, recept and sufficiency of which is hereby address leading and of the revealance hereby grants, leaves and lets equivalently unto leaves for the purpose of investigating, exploring, prospecting, shilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air exto subsurface strate, laying pipe from storing nil, building tanks, readware, telephone times, and other structures and thange thereon to produce, save, take care of, treat, process, store and transport taid removals, the following described lend in Let County, New Metition, to we

Township 16 South, Range 35 East, NMPM

Section 13: SE%

Section 23: SE%

Section 24: NWVSWV, NWVNEV

Section 25: NW%

Section 26: NEW

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Said land is estimated to comprise 720.00 scree, whether it actually comprises more or less

- 2. Subject to the other provisions hereis contained, this losse shall remain in force for a term of three (3) years from December *, 1997, (called "younger term"), and as long thereafter as oil or gas a produced from said land or from land with which said land is posited
- 3. The royalism to be peak by lonner arm: (a) on oil, and other liquid hydrocarbone seved at the well, 3/16 of this produced and seved from said land, serve to be delivered at the the or to the credit of lower at the populate to which the wells may be connected, (b) on gas, evoluting casinghead gas or other gaseous autot ince produced from said land and med of the pressure or used in the man selecture of genotene or other products, the market value at the well of 3/16 of the gas used, provided that on gas sold on or off the press the royalise shall be 3/16 of the amount realized from such sole; (c) and at any time when this losse is not validated by other provisions here if and there is a gas and or condensate id land, or land pooled therewile, but gas or or densate is not here so sold or used and such well is shull in, either before or after production therefore, then on or before 180 days after said well is shut is, and thereafter at annual intervals, lessor may pay or tender an advance shut-in ruyally equal to \$1.00 per net succ of lessor's gas suresign thes hold under this lease by the party making such payment or tender, and so long as said shut-on rovelty is paid or tendered, this lease shall not terrimente and it shall be our under all disuses hereof that gas is being produced from the leased promises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the tense of such payment would be entated to receive the royalties which would be paid under this lense if the well were in fact producing. The payment or tender of royalties and abut-on royalism may be made by check or draft. Any timely payment or tender of shut-on royalty which is made at a hims fide attempt to make proper payment, but which is arranged on whole or in part as to parties or annume, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made of leases shall correct such error within 90 days after leases has received vention notice thereof by certified must from the party or parties entitled to receive payment together with mality written antifurnatis (or carufied copies thereal) as are necessary to enable leases to make proper payment. The amount realized from the sale of gas on or off the proshall be the prior established by the gas sales contract entered esto in grand fasts by lossed and gas purchasor for such term and under such creates with creates with a state of the industry. "Prior" shall resum the nat amount received by lossee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified to such contract or regulatory orders.
- 4. This is a peak-up lease and leases shall not be obligated during the premary term hereof to commence or continue say operations of whatever character or to make any payments because in order to meeta's. * In lease in force during the premary term; however, thus provision is not intended to release of the obligation to pay revalues on actual production pursuant to the provisions of Paragraph 3 hereof.
- 5. I amon is hereby greated the right and power, from time to time, to poul or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, sensinal eastes or parts thereof for the production of oil or gas. Under position devices of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land in situated, plus a tolerance of the production of the State of New Mexico or by any other lawful authority for the pool or area in which said land in situated, plus a tolerance of tan persist. Lease shall file written und designations in the country in which the premises are located and such under 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 royally, as reparations conducted upon or production from the land described in this lease. There shall be allocated to the land deverable by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acronge in the land covered by this lease mechadies in the land of pooled minerals from the portion of his lease or unit operations, which the net oil or gas acronge in the land or overed by the lease mechadies in the land of pooled minerals from the portion of all land covered by the least of his lease. But the total member of murface acros in the unit. The production is allocated thall be considered for all purposes, excluding the payment or delivery of royalty, to be the easier production of pooled minerals from the portion of said land covered by inside the completion of pooled minerals from the portion of said land covered by inside the completion of a dry hole or the country where the land instituted at any time after the completion of a dry hole or the country wher
- 6. If at the expension of the primary term there is no will upon said land capable of producing oil or gas, but losses has a sentenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no consistion of more than 180 consecutive days, whether such operations he on the same wall or on a deflorest or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If after the expiration of the presency term, all wells upon used land abouted becomes incepable of producing for any cause, this lease shall not terminate if leases oversemone operations for additional drilling or for reworking within 180 days thereafter. If any drilling, additional drilling, or reworking operators increased result in production, then this lease shall remove in full forum as long thereafter as oil or gas is produced hereafter as oil or gas is produced hereafter.
- 7. Leaves shall have there are of oil, gas and water from each land, except water from leaver's wells and tanks, for all operations hereander, and the royally shall be computed after any so used. Leaves shall have the right at any time during or after the experition of this leave to remove all property and fintures placed by leave or said land, excluding the right to draw and reasons all content. When required by leave, leaves will have all property and fintures placed options of the angle of water and reasons all contents. Deave shall have the privilege, at his risk and expenses, of using gus from any gas well on said lead for stores and inside lights in the principal dwellar phasen, out of any surphis gas not necessal for operations horsunder.
- II. The rights of either purty hornizeder may be samigned in whole or in part and the provisions horned shall extend to these heart, essentions, advisorantly of the land or in the orientating of, or rights to receive, royalizes or shuf-in novalizes, [i.e., core accomplished, shall operate to enlarge the obligations or dissums the rights of launes, and no such change or devision shall be brinding upon leases for any purpose until 19 of days after leases has been farmated by outsides must at leases, properly precipilated on the control of the
- 9 Should insee he prevented from complying with any express or suspised covenant of this lease, or from conducting drilling or reworking operations harmonian, or from producing oil or gas harmonian for contents of force respected, or by any faderal or state here or any order, rule or registering of greenments authority, these while so prevented, leases's duty shall be supposed, and leases shall not be table for fasture to comply therewith, and this issues shall be astended while and so long as leases a prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas harmonian; and the time while leases is so prevented shall not be counted against leases, anything or the contrary notwithst anding.

10. Lower hardy vary rate and agrees to defend the title to said lend and agrees that leaves at its option may decharge any tits, accretance or other lies upon said lend, and in the event leaves does so it shall be indregated to such lies with the right to enforce some and to apply royalties and obst-in royalties payable betweender toward naturallying some Without impolement of leavests rights under the warranty, if this leave sowers a less marrent in the oil or gos in all or any part of said lend than the enters and understood for sample enter beautive interest in herein speculies of or the lies said and payables, if any, accreting from any part as to which this leave covers less than each full interest, shall be price only in the proposition which the interest therein, if any, covered by the leave, been to the whole and understand for sample enter therein. Should any only in the parties assess this beautiful the leavest than leave of the parties assess that the same of the parties assess the same of the parties assess that the same of the parties assess that the same.

1). Leave, he or his measures, help and resigns, shall have the right at any time to accretely the leave, as wheth or in part, to leaver or he hears, recommon, and energy by deliveing or smallest a release thereof to the leaver, or by placing a release thereof or record in the country or which soci lead in structed, thereupes heave shall be referred from all ellipsicions, expressed or implicit, of this agreement as to account or release, and thereoffer the dust-in royalty psychio hormander shall be reduced in the proportion that the agreement and property in reduced by said release or releases.

Madeline Stokes

STATE OF TEXAS

COUNTY OF Crockett

This instrument was acknowledged before me on the 4d day of Sectember, 1997, by Madeline Stokes, dealing in her sole and separate property.

Sacal Stewart Sarah Stewart
Notary Public

My commission expires: 03.28-01



EXHIBIT "A"

Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Madeline Stokes, lessor, and Ameristate Oil & Gas, Inc., lessee

- 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 not included in or otherwise allocated to a "well unit" as hereinafter defined, 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 this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paving quantities as in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying more than 100' below the total depth drilled.
- 13. Payment of shut-in gas well royalties will not be permitted to maintain this lease in force for any period longer than two consecutive years, without the written consent of Lessor

Signed for identification purposes:

Bedeline Stakes

Madeline Stokes

4263

A LOUIS COMMENTED TO SERVICE OF THE PROPERTY O

STATE OF NEW MEXICO COUNTY OF LEA FILED

at 1:18 octave A 1

Per Chappette, Lee Appely Clerk
By Dee

Produce: 188-Paid-up

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and the state of t

14262

OIL & GAS LEASE

THIS AGREEMENT made this August 25, 1997, but effective December 7, 1997, between Erma Stokes Hamilton, dealing in her sole and superate property, whose address is P.O. Box 1470, Big Spring, Texas 79721, herm called leave (whether one or move) and lower AMERISTATE. On & Gas, INC., 1211 West Texas STREET, MIDIAND, TEXAS 79701.

I. Lenor, in consideration of TEN AND 00/100ths DNLLARS cash to hand past, record and sufficiency of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the lenses herein contained, hereby greats, leases and lets exclusively unto lenses for the purpose of investigating, exploring, prospecting, and questing for and producing oil and gas, injecting gas, waters, other fluids, and air riso substitutes strata, laying pape lens, storing wit, building tinks, readways, telephone hins, and other structures and things thereon to produce, since take cure of, trees, process, more and transport task minorals the following described land in Len County, New Meturio, to well:

Township 16 South, Range 35 East, NMPM

Section 13: SE%

Section 2J: SE%

Section 24: NW%SW%, NW%NE%

Section 25: NW%

Section 26: NE%

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Said land at estimated to comprise 720,00 screet, whether a extually comprises more or less

- 2. Subject to the other provisions herein contained, this lease shall remain as force for a term of there (3) years from Documber 7, 1997, (called "primary term"), and as long thereafter as oil or gas as produced from said land or from land with which said land a pouloil.
- 3 The royalizes to be paid by lesses are: (a) on oil, and other liquid hydrocarbons seved at the well, 3/16 of that produced and saved from said lend, same to be delivered at the well or to the credit of lesser in the papeline to which the wells may be connected; (b) on gas, including quanghead gas or other guesses as used provided that on gas sold on or off the presents, the market value as the well of 3/16 of the gas used provided that on gas sold on or off the presents, the royalizes shall be 3/16 of the gas used provided that on gas sold on or off the presents, the royalizes shall be 3/16 of the sentent realized from such sole; (c) and at any time when this lesse is not validated by other provisions here if and there is a gas and/or condensate us not bring so sold or used and such well is shall in, either before or after production therefore, then on or before 180 days after said well is also in, and thereafter at annual intervals, lessee may pay or tender and while in royality used to 3/10 of per not care of lessor's gas as along then lessed while shall be party making such payment or tender, and so long as said shall in royality us paid or tendered, this lessee shall not terminate and it shall be considered under all chances hereof that gas is being produced from the lessed premises in payment would be excited to receive the royalizes which would be paid under this lesse of the well were in fact producing. The payment or tender of royalizes and shall be payment would be excited to receive the royalizes which would be paid under this lesse of the well were in fact producing. The payment or tender of royalizes and shall on a proper payment or tender of shall call only the part or payment or tender of royalizes and shall on a part as to parties or annuals, shall naroyalized to prove the parties of an annual are realized to prove the payment to guide and tender that call on a part as to parties or annuals, shall naroyalize has contract on the part within the part well of the part within the part of the part o
- 4. The a speakup lane and leave shall not be obligated during the primary term hereof to commence or continue any operations of whatevers character or to make any payments harander in order to maintain this leave in force during the primary term, however, this provision is not entended to relieve leaves of the obligation to pay royalises on actual production pursuant to the provisions of Paragraph 3 hereof.
- 5 Lames is harsby grasted 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, more all material easies or parts thereof for the production of oil or gas. Units pooled horizoneds shall not exceed the standard provision use flixed by law or by the Oil Conservation Exvision of the Energy and Missenia Department of the State of New Messoo or by any other lawful authority for the pool or area in which said land is statuted, plus a tolerance of law power. Lames shall file written used designations in the county in which the provinces are located and such units may be designated from time to time and either helions of the completions of wells. Dritting operations on or production from any part of any nuch unit shall be considered for all purposes, except the payment of royalty, as operations considered sputs or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total productions from the land described in the unit operations, which the not of orgas accepts in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the enter production of pooled numerals from the portion of said land covered hereby and included in said unit in the unit meaning an appropriate instrument in the county where the land is substant after the completion of a dry hole or the consistent of production on all unit in the said and production of a dry hole or the consistent of production on and unit in the second at any time after the completion of a dry hole or the consistent of production on and unit in the second at any time after the completion of a dry hole or the consistent of production on and unit in the second at any time after the completion of a dry hole or the consist
- 6. If a the separation of the primary terms there is no well upon said land capable of producing oil or gas, but lessor has extension in force to long as operations are prosecuted with no consistion of more than 180 consecutive days, whether such upor stress be on the same well or or a different or additional or district or well, and if they result in the production of oil or gas, so long there as oil or gas is produced from said land. If after the expension of the primary terms, all wells upon said land should become incorpable of producing for any cause, this lesse shall not terminate if lesser expension of additional or district of the primary terms, all wells upon said land should become incorpable of producing for any cause, this lesse shall not terminate if lesser expensions; then this lesse shall remain in full force so long thereafter so oil or gas is produced hereunder.
- 7. Lames that have there are no of oil, gas and water from each land, except water from leason's wells and tanks, for all operations because, and the royally shall be computed after deducting any so used. Lames shall have the right at any time during or after the experition of this lease to remove all property and fratures placed by leases on said lead, including the right to draw and remove all cassons. When required by leases, lease will have the provider ordinary pleas depth, and no well shall be drilled within two burdents feet (200 ft.) of any residence or burn now or said lead without leason's extensive that have the provider, at his risk and expense, of using gas from any gas well on said lead for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not nonled for operations becaused:
- E. The rights of either party horsender may be assigned in whole or in part and the provincins hereof shall count to their hears, inscussors, administrators, inaccessors and issigns, but no change in the constrainty of the land or in the constrainty of, or rights to recover, constraints to replace the right of lanes, and no such change or divisions shall be shading upon lesses for any purpose until 90 days after these has been flamashed by contributed upon a hereof constituting the chain of tale 5 with the congrad lesses. If may such change in overaith open a principal place of hissances with acceptable instruments or certified copies shareof constituting the chain of the covers. However, lesses may, it is option, pay or teacher any republies or thus en tree of the document of the discussed or to his state or to his here, executor or administrator until mod time as lesses has been flamashed with evidence untifficitory to lesses as to the persons critical to such same. As segmenter of this lesses is whole or in part field, to the other of much assignment, relieve and discharge lesses of any obligations herounder and, if lesses or assignee of part or parts hereof while fall or wake definal in the properties of the proportionate part of royalty or which lesses such default in the part and the proportionate part of royalty or which lesses or any assignee or full to comply with any of the provinces of the lesses, such default shall not affect the lesses smooth as it covers a part of said lands upon which lesses or any assignee or full to comply with any of the provinces.
- 9 Blood lesser be prevented from complying with any copress or amplied coverages of this losse, or from conducting drilling or reworking upon stress hereunder, or from producing oil or gas hereunder by reason of sciencity or estability to obtain or use equipment or meterial, or by operation of force message, or by new federal or state less or easy order, rule or regulation of greenmental authority, thus while so prevented, lesser's day shall be asspended, and lesser shall not be labels for failure to comply therewish, and the lesser shall not be contact to loss as prevented by any such cause from conducting drilling or reserving operations or from probleming oil or gas because, anything in the lesser to prevented shall not be consider against lesses, anything in the lesser to be controlled.

10. Learn harday surrounts and agrees to defined the tale to said land and agrees that leases at its option may deather may tax, most gags or where less upon said land, and in the owner lease on a shall be indreaded to mach lies with the right to inforce serve and to apply royalizes and shall-en royalizes payable horizontal toward satisfying same. Without impointment of leasesty rights under the warresty, if this losse covers a less interest in the red or give in all or eny port of lead land than the orders and undivided fees sumple states (whicher leasest is sharest specified or not) then the royalizes, shall-en royality, and other powerings, if any, accuracy price are to which this lease covers less than such full interest, shall be pead only in the proportion which the reternal therein, if any, covered by this lease, bears to the whole and undivided fee sumple astate therein. Shreald any use or some of the parties constitute of the same.

11. Lease, as or his resources, how and assigns, shall have the right at any time to narrander this lease, in whole or an part, to leaser or his here, accounters, and assigns by delivering or marking a release thereof to the leaser, or by placing a release thereof or feered in the treathy in which said lead is situated, thereupon leases shall be releved from all obligations, expressed or implied, of this agreement as the acrosps of surrendered, and thereoffer the shall be revised by said release or release.

Erma Stokes Hamilton

STATE OF TEXAS

COUNTY OF HOWARD

35.

This instrument was acknowledged before me on the <u>5th</u> day of <u>September</u>, 1997, by Erma Stokes Hamilton, dealing in her sole and separate property.

AMY PENEHART MY COMMISSION EXPINES Junuary 6, 1998 Notary Public

January 6, 1998

EXHIBIT "A"

Attached to and made a part of that certain oil and gas lease dated August 25, 1997, but effective December 7, 1997, by and between Erma Stokes Hamilton, lessor, and Ameristate Oil & Gas, Inc., lessee:

- Notwithstanding anything contained hereinal ove 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 not included in or otherwise allocated to a "well unit" as hereinafter defined, 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 this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if production is established under this lease prior to the expiration of the primary term, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities as in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying more than 100' below the total depth drilled.
- Payment of shut-in gas well royalties will not be permitted to maintain this lease in force for any period longer than two consecutive years, without the written consent of Lessor

Signed for identification purposes

Erma Stoker Hamilton

Erma Stokes Hamilton

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STATE OF NEW MEXICO COUNTY OF LEA FILED

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