

# ILLEGIBLE



## RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700  
Denver, Colorado 80203 (303) 830-8000  
FAX (303) 830-8009

November 30, 1998

Mrs. Twila M. Goodding, Trustee  
1009 Chestview Circle  
Farmington, NM 87401

Re: Offer for Oil and Gas Lease  
Township 29 North, Range 14 West, NMPM  
Section 13: Lots 3 and 4 (50% mineral interest)  
41.85 gross acres and 20.925 net acres  
Section 14: Lot 1 (100% mineral interest)  
45.47 gross acres and 45.47 net acres  
San Juan County, New Mexico

*Called Cathy  
12/2/98 - told  
her just  
leased to  
Dugan*

Dear Mrs. Goodding:

In a search of the county records we have identified additional unleased mineral interests that you own. Richardson Production Company offers to take an oil and gas lease on the following described lands:

Township 29 North, Range 14 West, N.M.P.M.  
Section 13: Lots 3 and 4  
Section 14: Lot 1  
Containing 87.32 gross acres and 66.395 net acres,  
more or less

The oil and gas lease we offer to take provides for a three year primary term, a paid-up oil and gas lease form, and bonus consideration based on \$18.95 per net acre, or \$1991.85, for your 66.395 net mineral acres. The lease also provides for a 1/8th royalty in the event of production.

If these terms are acceptable, please execute the enclosed lease in the presence of a notary public, attach it to and endorse the draft, and submit all to your bank as a collection item. The extra copy is for your records.

If you have any questions, please do not hesitate to call me collect. I hope that you are enjoying the beautiful fall weather that we are having.

Sincerely,

RICHARDSON PRODUCTION COMPANY

*Cathleen Colby*  
Cathleen Colby  
Land Manager

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 30th day of November, 1998, by and between Joseph E. and Twila M. Cookling Living Trust dated July 12, 1989, Twila M. Cookling, Trustee whose post office address is 1000 Crestview Circle, Farmington, NM 87401, hereinafter called Lessor (whether one or more and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of Ten and More (\$10.00+) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan, State of New Mexico described as follows, to-wit:

Township 29 North, Range 14 West, NME  
Section 13: Lots 3 and 4  
Section 14: Lot 1

and containing 87.32 acres, more or less, Three

1. It is agreed that this lease shall remain in force for a term of 10 years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith, and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production therefrom should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where produced, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per acre per acre royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to drive and remove same.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) or of said land shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of the above described land has no leasehold owner, Lessee shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production has begun on all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral interests covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. If such unit is previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The formation or formations any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production from drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production from drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease, such allocation to be the first proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally execute Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to defend for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties heretofore named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more of all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written

Joseph E. and Twila M. Cookling Living Trust  
dated July 12, 1998

BY:

Twila M. Cookling, Trustee

ILLEGIBLE

STATE OF NEW MEXICO  
COUNTY OF SAN JUAN

$$\left. \begin{array}{l} \text{---} \\ \text{---} \end{array} \right\} \dots$$

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota

BEFORE ME the undersigned, a Notary Public, in and for said County and State, on this

day of \_\_\_\_\_, 1998, personally appeared Twila M. Goodling, Trustee of the Joseph E. and Twila M. Goodling Living Trust dated July 12, 1989 \_\_\_\_\_

xxx

\_\_\_\_\_ to me known to be the identical person \_\_\_\_\_, described in and who executed the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ she \_\_\_\_\_ duly executed the same as her \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires: \_\_\_\_\_

Notary Public

Address:

STATE OF  
COUNTY OF

... } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, \_\_\_\_\_

day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_,

and

\_\_\_\_\_ , to me known to be the identical person \_\_\_\_\_ described in and who executed the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal the day and year last above written.

Mr. Commissioner: Yes, yes.

Notary Public.

Address: \_\_\_\_\_

STATE OF  
COUNTY OF

$$\left. \begin{array}{l} - \\ \end{array} \right\} \text{ss.}$$

**ACKNOWLEDGMENT** (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_.

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.

Notary Public.

Address: \_\_\_\_\_

(SEAL)

My Commission expires \_\_\_\_\_

2

FROM

to

Dated \_\_\_\_\_, 19\_\_

No. Acres.

County, \_\_\_\_\_

Term\_\_\_\_\_

This instrument was filed for record on the

day of \_\_\_\_\_ 19\_\_\_\_, at:

\_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded in:

Volume \_\_\_\_\_ Page \_\_\_\_\_

\_\_\_\_\_ of the records of this office.

County Clerk:

By \_\_\_\_\_

Deputy:

When recorded return to