

OIL AND GAS MINING LEASE

THIS AGREEMENT, entered into this the 19th day of November, 1949, between RODGER J. PALMER, a single man of Lindrith, New Mexico, hereinafter called the Lessor, and FRANK B. MURTA and RUSSELL COBB, of Tulsa, Oklahoma, hereinafter called the Lessees, does witness:

1. That the lessor, for and in consideration of the sum of Eight Hundred and no/100 (\$800.00) Dollars in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessees, has this day granted and leased and hereby grants, leases and lets unto the lessees for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in Rio Arriba County, to-wit:

Lot one, the southeast quarter of the northeast quarter, the southeast quarter and the south half of the southwest quarter of Section one in Township twenty-four north of Range two west of the New Mexico Meridian, New Mexico, containing three hundred twenty-two acres and sixty-six hundredths of an acre.

2. This lease shall remain in force for a term of five (5) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is or can be produced.

3. The lessees shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessees may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessees's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessees shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free

of charge from any well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessees shall pay to the lessor for gas produced from any oil well and used by the lessees for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessees, then as royalty one-eighth of the proceeds of the sale thereof.

5. This lease shall terminate, as to both parties, if operations for the drilling of a well for oil or gas are not commenced on said land on or before the 15th day of May, 1950, said well to be drilled with due dispatch and diligence to test the Dakota Sand at a depth of approximately seven thousand nine hundred (7900) feet, unless oil or gas is found in paying quantities at a lesser depth. In the event that operations for the drilling of an oil or gas well are commenced on or before the 15th day of May, 1950, lessees will pay to the lessor the sum of Three Thousand Seventy-One and 92/100 (\$3071.92) dollars at the time drilling operations are commenced, which sum represents the payment of Twelve and no/100 (\$12.00) dollars per acre on the above described tract of land, less the Eight Hundred and no/100 (\$800.00) Dollars cash paid as provided in paragraph number one above.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessees shall drill a dry hole, or holes on this land, this lease shall not terminate, provided the lessees pay or tender to the lessor or for the lessor's credit in the Santa Fe National Bank at Santa Fe, New Mexico, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of One and no/100 (\$1.00) dollar per acre per year which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. This provision shall operate for a period of five successive years in the event that the stipulated rentals are paid. All payments or tenders may be made by check or draft of lessees or

any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successors in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person. It is specifically understood and agreed by and between the parties hereto that the 15th day of May, of each successive year shall be the date on which rentals will become due.

7. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessees shall drill a dry hole, or holes on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessees begin or resume the payment of rentals in the manner and amount herein above provided; (and in this event the proceeding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.)

8. In case said lessor own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in proportion which his interest bears to the whole and undivided fee.

9. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of lessor. When required by lessor, the lessees shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without written consent of the lessor. Lessees shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings, and other structures placed on said premises, including the right to draw and remove all casing.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and

assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessees until after notice to the lessees and it has been furnished with the written transfer or assignment or a certified copy thereof.

11. Lessor hereby warrants and agrees to defend title to the land herein described and agrees that the lessees, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed against the above described lands, and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders, thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessees shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

13. Compliance with any now or hereafter existing act, bill or statute purporting to be enacted by any Federal or State legislative authority, or with orders, judgments, decrees, rules, regulations made or promulgated by State or Federal courts, State or Federal offices, boards, commissions or committees purporting to be made under authority of any such act, bill or statute, shall not constitute a violation of any of the terms of this lease or be considered a breach of any clause, obligation, covenant, undertaking, condition or stipulation contained herein, nor shall it be or constitute a cause for the termination, forfeiture, revision or revesting of any estate or interest herein and hereby created and set out, nor shall any such compliance confer any right of entry or become the basis of any action for damages or suit for the forfeiture or cancellation hereof; and while any such purport to be in force and effect they shall, when complied with by lessees or assigns, to the extent of such compliance operate as modifications of the terms and conditions of this lease where inconsistent therewith.

