## OIL, GAS AND MINERAL LEASE

HODINGERS OF Revised - New Mexico

THIS AGREEMENT and the 28th				
Harry Leonard and wife, Mable Leonard:	and H. P. Saund	ers Jr., and wife	Jimmie Saunders	
lassor (whether one or more), and Phillips Petro	leum Company			
to the transfer of consideration of Ten	<u>a</u>		no/100	
10.00 h in hand paid, of the royaldee herein per second of the royaldee herein prospections of investigating, exploring, prospectively statics, power stations, relephone lines and other structures thereon	rovided, and of the agreementing, drilling and mining for a to produce, save, take care	its of Lesses herein contained, and producing oil, gas and all or of, treat, transport, and own	hereby granm, lesses and ions ther minerals, laying pipe lines, said products, and housing its	
imployees, the following described land in	Lea	County	, New Mexico, to-wit:	

North Sixty (60) acres of the Southeast quarter (SE/4) Section Twenty eight (28) Township Twenty-Five (25) South, Range Thirty-Seven (37) East, N.M.P.M.

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overed nereby is reduced by said release or releases.

1 prior to discovery of oil or gas on said land Lessee should drill a dry hole efficient thereon, or if after discovery of oil or gas the production thereof inclid crease from any cause, this lesse shall not terminate if Lessee commences additional drilling or re-working operations within saity (60) days thereafter or if it is within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying data next ensuing after the apprecian effect months from date of completion of dry hole or resention of production. If at the expursion of the primary term oil, gas or other mineral is not being produced and for the primary term oil, gas or other mineral is not being produced and that Lessee is then engaged in drilling or re-working operations thereon, the lesse shall remain in force to long as operations are prosecuted with no research of more than thirty (10) consecutive days, and if they result in the production of oil, gas or other minerals so long thereafter as oil, gas or other minerals.

Leaves shall have the right at any time during or after the expiration of this leave to remove all property and fixtures placed by Leaves on said right to draw and remove all casing without the consent of Leaves. When required by Leaves, Leaves will bury pipe lines below ordinary plot

The Lessee agrees to promptly pey to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lesses.

Lease is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other in the immediate vicinity thereof, when in Leases's judgment it is necessary or advisable to do so in order properly to develop and operate said or with the spacing rules of any lawful authority, or when to do so would, in the judgment of Leases, promote the conservation of the oil and of that may be produced from said premises, such pooling to be into units not exceeding 40 acres each, accept that in case where it may tient to conform a unit to survey subdivisions such unit may contain not to exceed 43 acres. Leases shall ascent in writing an instrument identify the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes sucept the payment of royalties on production into its lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, elle be located on the privatese covered by this lease or not. In livic of the royalties elsewhere herein specified, Leases shall be under no obligation whatesever, aspects the his covalty interest therein bears to the semi order when, where or by whom offset wells may be defilled.

10. The breach by Lessee of any obligation axising hereunder shall not work a forfaiture or termination of this lesse nor cause a termination or revening the created hereby, nor be grounds for cancellation hereof, in whole or in part, save as herein expressly provided. If at any time it shall be determined accretionment that Lessee is obligated or required to dril a well or wells upon the lessed premises or any area pooled or unitated in accordance with the ieroof, Lessee shall have ninety days after such judicial determination within which to commence the drilling of such well or wells.

11. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tar, morrgage or other and land and in event Lessee does so, it shall be subrogated to such lies with the right to endaye mane and apply remains and revealess operating hereon since the cause with the control than the control of the control of the control of the properties of the properties of the properties and the properties and the properties of the properties and undivided for simple many thorough and remains to be paid Lessee shall be only in the properties the little of the other and undivided for

with excepts from the operation hereof and reserves unto himself, his heirs and 1/16th of V/8ths of all (8/8ths) oil which may be produced and saved from the lands above described under this oil and gas lease, if, as and when produced and saved, free and clear of all cost of development or operation (except that such interest shall bear its own ad valorem and gross production taxes) until there shall have been produced, and saved to the credit of said reserved interest, oil of the total market value of \$60,000.00 at the current market price at the time and place of production, whereupon the interest of lessor reserved in this paragraph in said production shall cease and said reserved interest shall become vested in lessee and in its successors in title; (1) provided that if it should develop that lesson's interest covered by this lesse is than the entire ree simple estate in the oil, gas and other minerals in the lands above described, then the interest reserved to lessor herein and the amount to be retired by said reserved interest shell be reduced proportionately to second with lesson's interest in the oil, gas and other minerals in the limits above described; [2] provided further that lessee shall have an option to curouse Iron to A to time lessor's interest in said production at the current market price at the well at the time and place of production; (3) in the event the above described lands should be unitized or pooled with other land for development, then only such portion of the above mentioned reserved interest shall be payable to retire the above amount of money as is represented by a fraction the numerator of which shall be the area of that portion of the lands above described included in the unitized or pooled lands and the denominator of which shall be the area of the unitized or pooled lands.

13. The lessor hereby waives the benefits of the expressed and implied covenants of this lease as to drainage from producing wells now located on adjacent properties.

WITNESS OUR hands and seals on this 28thday of

**NEW MEXICO** 

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