MCHUGH

Jerome P. McHugh & Associates Operating Affiliate: Nassau Resources, Inc. 650 South Cherry, Suite 1225 Denver, Colorado 80222 (303) 321-2111 FAX (303) 321-1563

July 5, 1989

CERTIFIED - Return Receipt Requested

Mr. Edward S. Gallegos, Jr. 6468 West Arbor Drive Littleton, Colorado 80123

Mr. Joe E. Martinez, Jr. P. O. Box 1303 Pagosa Springs, Colorado 81147

Mr. Demetrio Martinez
c/o Joe E. Martinez, Jr.
P. O. Box 1303
Pagosa Springs, Colorado 81147

andi E Callina

Gentlemen:

During a telephone conversation with Elizabeth Troxell today, I realized that the letter dated June 29, 1989 that you received was not complete. I sincerely apologize for this error.

Enclosed please find the letter in complete format.

Again, I apologize for this error and hope that it did not cause you any inconvenience.

Very truly yours,

Randi E. Collins

enclosure

BEFORE EXAMINER STOGNER

Oil Conservation Division

Case No. 97/7

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7. UNABLE TO DELIVER BECAUSE:	B. ADDRESSEE'S ACORESS font It requested.	DILL OF DETINERA	Marki Eller Du	(Always obtain signature of addressee I have received the article described above.	RED LINSURED COD	Pagosa Springs, CO	Martinez, Jr. Box 1303		RESTRICTED DELIVERY (The restricted delivery lee is charged in addition to the return receipt fee.)	LS show to whom and date delivered	(CONSULT POSTMASTER FOR FEES) 1. The following service is requested (check one).	 SENDER: Complete Items 1, 2, 3, and Add your address in the "RE space on reverse.
7a. EMPLOYEE'S MITTIALS		POSTMARK (may be on reverse side)	Authorized agent	or agent)	P341883206	ARTICLE NUMBER		TOTAL \$ 90¢		90	· EES)	T0''

MCHUGH

Jerome P. McHugh & Associates Operating Affilliate: Nassau Resources, Inc. 650 South Cherry, Suite 1225 Denver, Colorado 80222 (303) 321-2111 FAX (303) 321-1563

June 29, 1989

CERTIFIED - Return Receipt Requested

Mr. Edward S. Gallegos, Jr. 6468 West Arbor Drive Littleton, Colorado 80123

Mr. Joe E. Martinez, Jr. P. O. Box 1303 Pagosa Springs, Colorado 81147

Mr. Demetrio Martinez
c/o Joe E. Martinez, Jr.
P. O. Box 1303
Pagosa Springs, Colorado 81147

Gentlemen:

Jerome P. McHugh, through its operating entity Nassau Resources, Inc., plans to drill an approximate 4100' Fruitland Coal test in the SW/4NE/4 of Section 15-T32N-R4W by mid-August. The proposed drilling/spacing unit for the well is the E/2 of Section 15.

The county records indicate that each of you own 6 net mineral acres, more or less, in the following lands:

Township 32 North, Range 4 West Section 15: E/2NE/4, NE/4SE/4

As you can see from the attached map, the above described acreage falls within our proposed drilling unit.

We are hereby proposing that you consider one of the two following alternatives:

1. Enclosed are three (3) original Oil and Gas Lease instruments covering your interest in the E/2NE/4, NE/4SE/4 of Section 15-T32N-R4W. Also enclosed is our draft in the amount of \$174.00, being \$25/net mineral acre for your 6 mineral acres (total \$150) plus four years of delay rentals (total \$24). Our lease provides for a five (5) year term and a 1/8th royalty. In conjunction with said lease, enclosed are six (6) Ratification and Joinder instruments for our Carracas Canyon Unit that need to be executed as well as our

Ms. Edward S. Gallegos, Jr., et al June 29, 1989 Page Two

-OR-

2. Enclosed are two original Authority for Expenditure (AFE) instruments No. A52202. In the event you elect not to lease with us, you may elect to join as a paying and participating working interest owner in our well. Based on your 6 net acres in the drilling unit, you may join for 1.875% (6 acres ÷ 320 acres) of the drilling and completion costs, being \$7,706.25. If this is your election, please execute and date one copy of the AFE instrument returning it to my attention, at which time I will forward the remaining documentation for your participation.

We request that you respond in writing to this proposal by July 15, 1989. Failure to do so will leave us no alternative but to request that this well be put on the August 9, 1989 docket of the New Mexico Oil Conservation Commission for a forced pooling action.

Feel free to call me at (303) 321-2111 should you have any questions.

Very truly yours,

Randi E Collins
Randi E. Collins

for Kent C. Craig

KCC/rc

enclosures

Printed	by P & M Printing, (30	3) 423-4691			
	COLLECT DIRE	CTLY THROUGH Line 1	<u> </u>		
		P. O. Sev Form			
DRAFT Re-Draft				DATE	
1	Party C	Days After Sight a	and Subject to Approval	of Title	
CUSTOMER'S	Pay to the Order of	ing F. Marti ez, dr.		·	\$
JSTO h priv	Dur Hundrer	t Seventwalfare and WM100		With Exchange	DOLLARS
CUS	Consideration for	nil a Gos Lorse, Amar,	Acceptable to		
	186 South	McHugh & Associates Drny St., Seite 1225			
	Ponyer, (Colorado 0.002	Taga 1, (gl)	ies	
Desc	ription:	DETACH BEFORE PRESENTI	NG FOR PAYMENT		 _
ري موند				CountyState	
	The winds.	NE/ISE/4		Gross Acres1 Net Acres	

OFFICE COPY

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

the Development and Operation of the Area, County of Rio Arriba, State January 27, 1987, in form a Secretary of the Interior, and in correction by other working contemporary Unit Operating Agreement Agreement, the undersigned hereby expand adopts said Unit Agreement and Agreement as fully though the undersignal instrument.	te of New Mexico, dated approved on behalf of the asideration of the execution interest owners of the which relates to said Unit pressly ratifies, approves also said Unit Operating
This Ratification and Joinder stundersigned's interests in any lands therein, and royalties presently helexisting option agreements or othe substances, covering any lands within undersigned may be found to have an or	and leases, or interests d or which may arise under er interests in unitized the unit area in which the
This Ratification and Joinder undersigned, its heirs, devisees, interest.	
EXECUTED this day of	, 19
Joe E. I	Martinez, Jr.
Address	·
Address	
Address	
·	
STATE OF) ss. COUNTY OF)	•
STATE OF))	19, before me personally , to me known to be instrument and acknowledged
STATE OF) ss. COUNTY OF) On this day of, appearedJoe E. Martinez, Jr. the person who executed the foregoing	19, before me personally , to me known to be instrument and acknowledged free act and deed.
STATE OF) ss. COUNTY OF) ss. On this day of, appeared _Joe E. Martinez, Jr. the person who executed the foregoing that _he executed the same as _his IN WITNESS WHEREOF, I hereunto seal.	19, before me personally , to me known to be instrument and acknowledged free act and deed. set my hand and official
STATE OF	19, before me personally , to me known to be instrument and acknowledged free act and deed. set my hand and official

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of Joe E. Martinez, Jr.		, 19, by and betwe	
whose post office address is P. O. Box 1303, Pagosa Springs, Kindermac Partners, a Colorado whose post office address is 650 general partnership witnesseth, that the Lessor, for and in consideration of cash in hand paid, the receipt of which is hereby acknowledged, and the covena leased and let, and by these presents does grant, demise, lease and let exclusive exclusive right for the purpose of mining, exploring by geophysical and other met whatsoever nature or kind, with rights of way and easements for laving pipe lines, of said products, all that certain tract of land situated in the County of State of New Mexico description.	en and more hts and agreements hereinafter con- elv unto the said Lessee, the land hands, and operating for and product and erection of structures thereon Rio Arriba	DOLLAR itained, has granted, demis- iercinafter described, with ing therefrom oil and all gas to produce, save and take or	(S) ed, the of
Township 32 North, Section 15: E/2NE/4 Section 10: Lots 6 8(28.2 Section 14: NW/4SW	4, NE/4SE/4 (28.37), 7(28.26),		
and containing 244.91acres, more or less	and, or the leaved premises or on see shall continue in force so long as crations shall be considered to be e- ct of one well and the beginning of c- d therewith, the production thereo- nal drilling or resworking operations or gas shall be discovered and produ-	agerage pooled therewith beoperations are being centinouslive prosecuted if upperations for the drilling of f should cease from any caawithin innety (90) days for acced as a result of such operation of the properation of t	or, ut u- ot La se m
2. This is a PAID-UP LEASE. In consideration of the down cash payment wise provided herein, to commence or continue any operations during the primary term surrender this lease as to all or any portion of said land and as to any release or releases, and be relieved of all obligation thereafter accruing as to the act. 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 w (1/8) part of all oil produced and saved from the leased premises.	ry term. Lessee may at any time or strata or stratum by delivering to L cage surrendered.	times during or after the p cssor or by filing for record	ri- Lit
2nd. To pay Lessor one-eighth (1-8) of the gross proceeds each year, found, while the same is being used off the premises, and if used in the monthly at the prevailing market rate for gas.			
3rd. To pay Lessor for gas produced from any oil well and used off the a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, pay. 4. Where gas from a well capable of producing gas is not sold or used. Dollar per year per net royalty acre retained hereunder, such payment or tender ensuing after the expiration of 90 days from the date such well is shut in and the period such well is shut in. If—such payment or tender is made, it will be constant to the such payment of the short described land than the including any shut-in gas royalty) herein provided for shall be paid the Lessor and undivided fee.	able monthly at the prevailing mark Lessee may pay or tender as royal to be made on or before the anni- ereafter on or before the anniversar dered that gas is being produced wi entire and updivided fee sample est.	et rate. Ity to the royalty owners th versary date of this lease ne y date of this lease during if thin the meaning of this lea ate therein, then the royalti	ge xt ie se, es
6. Lessee shall have the right to use, free of cost, gas, oil and water produce the wells of Lessor. 7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plo 8. No well shall be drilled nearer than 200 feet to the house or barn now or	w depth, i said premises without written con-		111
 Lessee shall pay for damages caused by Lessee's operations to growing er Lessee shall have the right at any time to remove all machinery and f remove casing. 	ixtures placed on said premises, inc		
11. The rights of Lessor and Lessee hereunder may be assigned in whole or p or otherwise) shall be binding on Lessee until Lessee has been furnished with no documents and other information necessary to establish a complete chain of rethereafter made. No other kind of notice, whether actual or constructive, shall ownership as to different portions or parcels of said land shall operate to enlarge operations may be conducted without regard to any such division. If all or any p any act or omission of any other leasehold owner.	tice, consisting of certified copies a cord title from Lessor, and then or he binding on Lessee. No present the obligations or diminish the rig	of all recorded instruments of aly with respect to payment or future division of Lessor lits of Lessee, and all Lessee	ng ts Ps
12. Lessee, at its option, is hereby given the right and power at any time, production, as to all or any part of the land described herein and as to any one chold estate and the mineral estate covered by this lease with other land, lease or lor separately for the production of either, when in Lessee's judgment it is necessimilar to this exists with respect to such other land, lease or leases. Likewise, un	er more of the formations hereunder eases in the immediate vicinity for t ary or advisable to do so, and irres	, to pool or unitize the leas the production of oil and ga spective of whether authorit	r'- 'S', 'V'
gas, may be reformed to exclude such non-producing formations. The forming or and filing of record a declaration of such unitization or reformation, which deel which a well has theretofore been completed or upon which operations for drilln working operations or a well shut in for want of a market anywhere on a unit wh production, drilling or reworking operations or a well shut in for want of a marke fied, including shut-in gas royalties, Lessor shall receive on production from the allocated to this lease; such allocation shall be that proportion of the unit producing included in the unit bears to the total number of surface acres in such unit. In pool, or combine all or any part of the above described lands as to one or more of	reforming of any unit shall be accordination shall describe the unit. Any oig have therestofore been commence uch includes all or a part of this least tunder this lease. In lieu of the rownit so pooled royalties only on the tion that the total number of surfar addition to the foregoing, Lessee's	nplished by Lessee executing unit may include land up of the Production, drilling or reshall be treated as if it we walties elsewhere herein speceportion of such production ce acres covered by this less thall have the right to unities.	19 01 0-
area by entering into a cooperative or unit plan of development or operation ap- with like approval, to modify, change or terminate any such plan or agreement, the lease shall be deemed modified to conform to the terms, conditions, and provise operation and, particularly, all drilling and development requirements of this lease s- drilling and development requirements of such plan or agreement, and this lease s- ment. In the event that said above described lands or any part thereof, shall be development or operation whereby the production therefrom is allocated to diff- tion allocated to any particular tract of land shall, for the purpose of computing the been produced from the particular tract of land to which it is allocated and not a hereunder to Lessor shall be based upon production only as so allocated. Lessor s- plan of development or operation adopted by Lessee and approved by any gover	proved by any governmental authound, in such event, the terms, cond ons of such approved cooperative or e., express or implied, shall be satisfiall not terminate or expire during rereafter be operated under any such early portions of the land covered by royalties to be paid hereunder to to any other tract of land; and the rehall formally express Lessor's consented agency by executing the such early and agency by executing the such early express the executing the such execution execution executions and executing the such execution execution execution execution execution.	urity and, from time to time thinns and provisions of the unit plan of development of died by compliance with the life of such plan or agreed cooperative or unit plan of y said plan, then the production by the production of the payments to be mad int to any cooperative or un ame upon request of Lesser and the production of the payments of the production of the payments of the production of the payments of the production of	e, s or ne e- of o- ng e- dit
13. All express or implied covenants of this lease shall be subject to all Federthis lease shall not be terminated, in whole or in part, nor Lessee held liable in damby, 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 Linds herest time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Lessor and be subrogated to the rights of the holder thereof, and the undersigned hereby surrender and release all right of dower and homestead in the premises desin any way affect the purposes for which this lease is made, as recited herein. 15. Should any one or more of the parties hereinabove named as Lessor face.	ages, for failure to comply therewith described, and agrees that the Less he above described lands, in the earl Lessors, for themselves and their scribed herein, insofar as said right of to execute this lease, it shall never	h, if compliance is prevente see shall have the right at an ent of default of payment b heirs, successors and assign of dower and homestead ma ertheless be binding upon a	d v y s, v
such parties who do execute it as Lessor. The word "Lessor," as used in this least this lease as Lessor. All the provisions of this lease shall be binding on the heirs, such IN WITNESS WHEREOF, this instrument is executed as of the date first about the content of the same provided in the same provided in the same parties.	cessors and assigns of Lessor and L		t,
Jo	oe E. Martinez, Jr.		_

NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

27 JUNE 1989 AFE NO.: A52202 DATE: CARRACAS CANYON UNIT WELL NO.: 15 B-7 LSE NAME: COUNTY: RIO ARRIBA STATE: NEW MEX. LOCATION: SW NE SEC 15, T32N RØ4W OPERATOR: NASSAU RESOURCES, INC. DESCRIPTION: 4100' FRUITLAND COAL TEST EXPENDITURE TANGIBLE INTANGIBLE LEASEHOLD ACCOUNTING DESCRIPTION COST COST COSTS CODE XXXXXXXXX XXXXXXXXX 2,000 TITLE COSTS A---6/01/05 LEGAL COSTS/SURFACE DAMAGES ଅ, ଉପଷ XXXXXXXX XXXXXXXXX A-60202 20,000 XXXXXXXXX SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION XXXXXXXXX A--60003 XXXXXXXXX55,000XXXXXXXXXXXXXXXXXX10,000XXXXXXXXX CONTRACT DRILLING A--60204 MUD/CHEMICALS/ADDITIVES A-60205 XXXXXXXX XXXXXXXX XXXXXXXX WATER/PURCHASE/TRANSPORTATION INCL XXXXXXXX A-60206 8,500 XXXXXXXX OPEN HOLE LOGGING A-60207 1,000 XXXXXXXXX A-60208 MUD LOGGING 1,000 XXXXXXXXX A-60209 DST/FORMATION TESTING XXXXXXXX 1,000 XXXXXXXX CORING/CORE ANALYSIS A-60210 ୀ, ଉପଡ XXXXXXXX TRUCKING/HAULING/CATWORK A-60211 INCL XXXXXXXXX A-60212 CEMENTING SERVICES 1,000 XXXXXXXXX RENTAL TOOLS AND EQUIPMENT A-60213 2,000 XXXXXXXX PROF SERVICES AND EXPENSES A-60214 5,000 XXXXXXXX SUPERVISION/OVERHEAD A-60215 1,500 XXXXXXXX CONTRACT SERVICES/SUPPLIES A-60216 Ø XXXXXXXXX PLUG/ABANDON/CLEANUP A-60217 MISCELLANEOUS/CONTINGENCIES A-60218 CASING, SURFACE &/OR CONDUCTOR CASING, INTERMEDIATE A-6030C Ø XXXXXXXXX XXXXXXXX A-60303 FLOAT EQUIPMENT & CENTRALIZERS INCL XXXXXXXXX XXXXXXXX A = 60.304CASING HEAD/ DRILLING FLANGE Ø XXXXXXXX XXXXXXXX A-60305 A-60306 NON-CONTROLLABLE EQUIPMENT **@ XXXXXXXXX XXXXXXXX** DRY HOLE COST: TOTAL \$114,000 < < < Ø 112,000 2,000 10,000 XXXXXXXX CEMENTING SERVICES XXXXXXXXX A-60231 COMPLETION UNIT/POWER SWIVEL/PUMP/PITS XXXXXXXXX PERFORATING AND CASED HOLE LOGGING XXXXXXXXX FORMATION TREATING/FRAC/ACID XXXXXXXXX RENTAL TOOLS & EQUIPMENT XXXXXXXXX 15,000 XXXXXXXX A-60232 3,500 XXXXXXXX A-60233 55, QQQ XXXXXXXX A-60234 ଞ୍ଜୁପଡ଼ିତ XXXXXXXXX A-60235 XXXXXXXX 500 XXXXXXXXX DIRT WORK/CONSTRUCTION A-60236 CONTRACT SERVICES/SUPPLIES 10,000 XXXXXXXXX A = 600237୍ୟ, ଉପପ XXXXXXXX SUPERVISION/OVERHEAD XXXXXXXX A-60238 PROFESSIONAL SERVICES & EXPENSES XXXXXXXXX 1, ଉପଡ XXXXXXXX A-60239 MISCELLANEOUS/CONTINGENCIES XXXXXXXXX A-60240 CASING, PRODUCTION %/OR LINER A-60331 FLOAT EQUIPMENT & CENTRALIZERS A-60332 ୨, ଉତ୍ତତ XXXXXXXXX XXXXXXXX TUBING/PACKER/SPECIAL SUBSURFACE EQUIP A--60333 RODS/PUMP/AUXILLARY EQUIP 6,000 XXXXXXXXX XXXXXXXX A-60334 7,000 XXXXXXXXX XXXXXXXX TUBING HEAD/CHRISTMAS TREE A-60335 EQ, QQQXXXXXXXXXXXXXXXXXXEQ, QQQXXXXXXXXXXXXXXXXXXXXEQ, QQQXXXXXXXXXXXXXXXXXXXXXXXX PUMPING UNIT/PRIME MOVER/COMPRESSOR A-60336 A-60337 TANKS/STAIRWAY/WALKWAY SEPARATOR/TREATOR/PRODUCTION UNIT A-60338 BO, OOO XXXXXXXXX XXXXXXXX PIPELINE/POWERLINE A-60339 2,000 XXXXXXXXX XXXXXXXX A-60340 VALVES/FITTINGS/LINE PIPE NON-CONTROLLABLE EQUIP/MISC EQUIP 500 XXXXXXXXX XXXXXXX A-60341 TRUCKING/HAULING/TRANSPORTATION 1,500 XXXXXXXX XXXXXXXX A-60342 COMPLETION COSTS: TOTAL \$297,000 (((191,000 106,000 \$411,000 (((191,000 218,000 2,000 TOTAL WELL COSTS: WORKING INTEREST PARTNER APPROVALS: Joe E. Martinez, Jr. 1.875% DATE:_ TITLE McHUGH APPROVALS: LAND ENGR. ACCT. PRES. FIELD APPR. BY: ____

Printed by P & M Printing, (303) 423-4691 COLLECT DIRECTLY THROUGH FIRST STANS THIS IS A COLLECTION ITEM I. C. Fox Lie S Aurora, (9). Re-Draft NOT A CASH ITEM CUSTOMER'S DRAFT DATE_____ ____Days After Sight and Subject to Approval of Title With privilege of Pay to the Order of_ Cha Fundred Seventy-Tour and 10/1 0-1-1-1 DOLLARS With Exchange Consideration for Oil & Cas Leasn, Townson, Townsent P. Releigh P Associates COO. Cherry St., Suite 1977 Payers, Colorado 19827 DETACH BEFORE PRESENTING FOR PAYMENT Description:

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State_____ Gross Acres_

Net Acres_

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NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

AFE NO.: A52202 27 JUNE 1989 CARRACAS CANYON UNIT WELL NO.: 15 B-7 LOCATION: SW NE SEC 15, T32N RØ4W COUNTY: RIO ARRIBA STATE: NEW MEX. OPERATOR: NASSAU RESOURCES, INC. DESCRIPTION: 4100' FRUITLAND COAL TEST EXPENDITURE DESCRIPTION TANGIBLE INTANGIBLE LEASEHOLD ACCOUNTING COST COST COSTS

 XXXXXXXXX
 2,000

 XXXXXXXXX
 2,000
 XXXXXXXXX

 XXXXXXXXX
 20,000
 XXXXXXXXXX

 A-60105 TITLE COSTS
A-60202 LEGAL COSTS/SURFACE DAMAGES
A-60203 SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION A-60204 CONTRACT DRILLING A-60205 MUD/CHEMICALS/ADDITIVES
A-60206 WATER/PURCHASE/TRANSPORTATION
A-60207 OPEN HOLE LOGGING
A-60208 MUD LOGGING A-60209 DST/FORMATION TESTING A-60210 CORING/CORE ANALYSIS A-60211 TRUCKING/HAULING/CATWORK
A-60212 CEMENTING SERVICES
A-60213 RENTAL TOOLS AND EQUIPMENT
A-60214 PROF SERVICES AND EXPENSES DRY HOLE COST: TOTAL \$114,000 < < < 0 112,000 2,000 A-60231 CEMENTING SERVICES
A-60232 COMPLETION UNIT/POWER SWIVEL/PUMP/PITS XXXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXXX 15,000 XXXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXXX 15,000 XXXXXXXXX 15,000 XXXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXXX 15,000 XXXXXXX A-60332 FLOAT EQUIPMENT & CENTRALIZERS Ø XXXXXXXXX XXXXXXXXX A-60333 TUBING/PACKER/SPECIAL SUBSURFACE EQUIP 9,000 XXXXXXXXX XXXXXXXXX A-60334 RODS/PUMP/AUXILLARY EQUIP
A-60335 TUBING HEAD/CHRISTMAS TREE
A-60336 PUMPING UNIT/PRIME MOVER/C
A-60337 TANKS/STAIRWAY/WALKWAY A-60337 TANKS/STAIRWAY/WALKWAY
A-60338 SEPARATOR/TREATOR/PRODUCTION UNIT
20,000 XXXXXXXXX XXXXXXXXX
A-60339 PIPELINE/POWERLINE
A-60340 VALVES/FITTINGS/LINE PIPE
2,000 XXXXXXXXX XXXXXXXXX
A-60341 NON-CONTROLLABLE EQUIP/MISC EQUIP
500 XXXXXXXXX XXXXXXXXX
A-60342 TRUCKING/HAULING/TRANSPORTATION
1,500 XXXXXXXXX XXXXXXXX COMPLETION COSTS: TOTAL \$297,000 <<< 191,000 106,000 \$411,000 <<< 191,000 218,000 2,000 TOTAL WELL COSTS: WORKING INTEREST PARTNER APPROVALS: Demetrio Martinez 1.875% McHUGH APPROVALS: LAND ENGR. ACCT. PRES. FIELD APPR. BY: __

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

that <u>he</u> executed the same as	, 19, before me personally, to me known to be the ing instrument and acknowledgedhis free act and deed. reunto set my hand and official
On this day of appeared <u>Demetrio Martinez</u> person who executed the forego	, 19, before me personally , to me known to be the ing instrument and acknowledged _his_ free act and deed.
STATE OF)	
CENTED OF	
A	ddress:
D	emetrio Martinez
EXECUTED this day of	, 19
This Ratification and Joundersigned, its heirs, deviinterest.	pinder shall be binding upon the sees, assigns or successors in
undersigned's interests in any therein, and royalties present existing option agreements o	nder shall be effective as to the lands and leases, or interests tly held or which may arise under or other interests in unitized within the unit area in which the e an oil or gas interest.
Agreement, the undersigned her and adopts said Unit Agreeme	orking interest owners of the reement which relates to said Unit eby expressly ratifies, approves nt and also said Unit Operating ne undersigned had executed the
Secretary of the Interior, and or ratification by other w	form approved on behalf of the

OIL AND GAS LEASE

AGREEMENT, Made and entered into the	29th	day of	June	. 19 89	_, by and between	
Demetrio Martinez	Martinez, Jr	·····				
whose post office address is P. O. Box 1 Kindermac Partners, a Colora	303, Pagosa	Springs, CC	81147 Chappy St	called Lessor (whether	one or more) and	8U22
				Surce 1,4/ereina	स्टिन्टिकालिक Bessey:	00221
WITNESSETH, That the Lessor, for and cash in hand paid, the receipt of which is her leased and let, and by these presents does greeclusive right for the purpose of mining, explewhatsoever nature or kind, with rights of way:	ant, demise, lease an oring by geophysical a	d let exclusively u ind other methods	nto the said Lessee, , and operating for a erection of structure	the land hereinafter on nd producing therefrom s thereon to produce,	lescribed, with the n oil and all gas of	
of said products, all that certain tract of land s	ituated in the County		Rio Arri	Da		
State of New Mexico		described	as follows, to-wit:			
	Township 32	North, Ran	ge 4 West			
	Section 15:	•		(C)		
	section to:	8(28.28)	1.37), 7(28.2	.0),		
	Section 14:	NW/4SW/4				
and containing 244.91 acres me	re or less	five				
and containing 244.91 acres, mo 1. It is agreed that this lease shall remains or kind is produced from said leased p	ain in force for a terr remises or on acreage	m of XX (years fro	m this date and as le , or drilling operation	ong thereafter as oil or as are continued as her	gas of whatsoever einafter provided.	
If, at the expiration of the primary term of it Lessee is then engaged in drilling or re-workin ously prosecuted on the leased premises or on more than ninety (90) days shall elapse betwee subsequent well. If after discovery of oil or after the primary term, this lease shall not ter date of cessation of production or from date- tions at or after the expiration of the primary premises or on acreage pooled therewith.	iis lease, oil or gas is g operations thereon, acreage pooled there en the completion of as on said land or on minate if Lessee comm of completion of dry	not being product, then this lease sewith; and operati r abandonment of a acreage pooled the nences additional dences. If oil or ga	ed on the leased pren iall continue in force ons shall be consider one well and the beg erewith, the product rilling or re-working is shall be discovered	nises or on acreage poo so long as operations ed to be continuously inning of operations f ion thereof should cea operations within nine I and produced as a res	oled therewith but are being continu- prosecuted if not or the drilling of a se from any cause ty (90) days from sult of such opera-	
2. This is a PAID-UP LEASE. In consideration provided herein, to commence or continuous term surrender this lease as to all or any release or releases, and be relieved of all obligated. In consideration of the premises the	ie any operations du portion of said land ion thereafter accruin said Lessee covenants	ring the primary to and as to any stra ig as to the acreage and agrees:	erm. Lessee may at a ta or stratum by deli surrendered.	my time or times duri vering to Lessor or by	ng or after the pri- filing for record a	
1st. To deliver to the credit of Lesse (1/8) part of all oil produced and saved in the credit of the	rom the leased premi	ses.				
2nd. To pay Lessor one-eighth (1/8 found, while the same is being used o monthly at the prevailing market rate fo	ff the premises, and					
3rd. To pay Lessor for gas produced a royalty of one-eighth (1/8) of the produced	from any oil well an eeds, at the mouth of	the well, payable	monthly at the preva	ciling market rate.		
4. Where gas from a well capable of problem per year per net royalty acre retained hensuing after the expiration of 90 days from the period such well is shut in. If such payment 5. If said Lessor owns a less interest in (including any shut-in gas royalty) herein provand undivided fee.	nereunder, such payn he date such well is or tender is made, it the above described	nent or tender to l shut in and thereal will be considered land than the enti	be made on or befor ter on or before the d that gas is being pr re and undivided fee	e the anniversary date anniversary date of the coduced within the me simple estate therein,	of this lease next is lease during the aning of this lease, then the royalties	
6. Lessee shall have the right to use, free the wells of Lessor.	e of cost, gas, oil and	water produced or	said land for Lessee	's operation thereon, e	except water from	
 When requested by Lessor, Lessee sha No well shall be drilled nearer than 2 Lessee shall pay for damages caused 1 Lessee shall have the right at any t 	00 feet to the house of Lessee's operations	or barn now on said s to growing crops	l premises without w on said land.			
remove casing. 11. The rights of Lessor and Lessee hereu	nder may be assigned	l in whole or part.	No change in owner	ship of Lessor's intere	st (by assignment	
or otherwise) shall be binding on Lessee until documents and other information necessary t thereafter made. No other kind of notice, wh ownership as to different portions or parcels o operations may be conducted without regard a any act or omission of any other leasehold own	o establish a comple nether actual or cons if said land shall oper to any such division.	te chain of record tructive, shall be b rate to enlarge the	title from Lessor, a inding on Lessee. A obligations or dimir	nd then only with res to present or future d hish the rights of Lesse	pect to payments ivision of Lessor's e, and all Lessee's	
12. Lessee, at its option, is hereby given production, as to all or any part of the land d hold estate and the mineral estate covered by or separately for the production of either, whe similar to this exists with respect to such other	the right and power escribed herein and a this lease with other l in Lessee's judgme	is to any one or mo land, lease or lease ent it is necessary	ore of the formations s in the immediate vi or advisable to do se	s hereunder, to pool or cinity for the product o, and irrespective of v	unitize the lease- ion of oil and gas, whether authority	
gas, may be reformed to exclude such non-production of record a declaration of such unit which a well has theretofore been completed working operations or a well shut in for want production, drilling or reworking operations of fied, including shut-in gas royalties, Lessor sha allocated to this lease; such allocation shall be and included in the unit bears to the total numpool, or combine all or any part of the above of	zation or reformation or upon which operation of a market anywher a well shut in for wall receive on product that proportion of the of surface acres in	n, which declarations for drilling had on a unit which in and of a market unit from the unit he unit production such unit. In add	on shall describe the we theretofore been neludes all or a part der this lease. In lieu so pooled royalties a that the total numb lition to the foregoin	unit. Any unit may in commenced. Product of this lease shall be tre- t of the royalties elsew only on the portion of ear of surface acres cov- ing, Lessee shall have the	include land upon- ion, drilling or re- eated as if it were here herein speci- f such production wered by this lease e right to unitize,	
area by entering into a cooperative or unit playing like approval, to modify, change or term lease shall be deemed modified to conform to operation and, particularly, all drilling and development requirements of such ment. In the event that said above described development or operation whereby the production allocated to any particular tract of land shabeen produced from the particular tract of land	an of development of inate any such plan of the terms, condition elopment requirement plan or agreement, a l lands or any part the tion therefrom is allo all, for the purpose of d to which it is alloc	r operation approvor agreement and, s, and provisions c, st of this lease, eard this lease shall nereof, shall hereal cated to different computing the rotated and not to arrect and not to arrect and not to ar	ed by any governme in such event, the to f such approved coo spress or implied, sh not terminate or exp (ter be operated und e. portions of the land valties to be paid her by other tract of land	ental authority and, fiverms, conditions and perative or unit plan call be satisfied by corire during the life of sier any such cooperation to covered by said plan, reunder to Lessor, be recand the royalty pays	com time to time, provisions of this if development or inpliance with the uch plan or agreeve or unit plan of then the producegarded as having nents to be made	
hereunder to Lessor shall be based upon produplan of development or operation adopted by 13. All express or implied covenants of this lease shall not be terminated, in whole or it by, or if such failure is the result of, any such L	ction only as so alloca Lessee and approved this lease shall be subj a part, nor Lessee held	ated. Lessor shall by any governme ect to all Federal a d liable in damages	formally express Les ntal agency by exect ind State Laws, Exec	sor's consent to any co ating the same upon reutive Orders, Rules or	ooperative or unit equest of Lessee. Regulations, and	
14. Lessor hereby warrants and agrees to time to redeem for Lessor, by payment, any n Lessor and be subrogated to the rights of the hereby surrender and release all right of dower in any way affect the purposes for which this le	defend the title to the total defend the total defended the total defended in the total	he lands herein des her liens on the a' he undersigned Le le premises describ	bove described lands ssors, for themselves	i, in the event of defau i and their heirs, succe	ilt of payment by essors and assigns,	
15. Should any one or more of the partisuch parties who do execute it as Lessor. The this lease as Lessor. All the provisions of this lease as Lessor. WHEREOF, this instrumen	es hereinabove name word "Lessor," as u ase shall be binding of	d as Lessor fail to sed in this lease, s n the heirs, success	hall mean any one of ors and assigns of Le	r more or all of the pa	binding upon all rties who execute	
		Deme	trio Martine	Z		

SENDER: Complete items 1 and 2 when additional service	ces are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" space on the reverse card from being returned to you. The return receipt fee will delivered to and the date of delivery. For additional fees the postmaster for fees and check box(es) for additional service(provide you the name of the person following services are available. Consult s) requested.
1. Show to whom delivered, date, and addressee's addressee's	<u>,</u>
3. Article Addressed to:	4. Article Number
Demetrio Martinez	P 841883214
c/o Joe E. Martinez, Jr.	Type of Service:
P. O. Box 1303	Registered Insured
Pagosa Springs, CO 81147	XCertified COD Express Mail
	Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent **Mary Eller Marline	~ .
7. Date of Delivery	
PS Form 3811, Feb. 1986 / / ()	DOMESTIC RETURN RECEIPT

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MCHUGH

Jerome P. McHugh & Associates Operating Affiliate: Nassau Resources, Inc. 650 South Cherry, Suite 1225 Denver, Colorado 80222 (303) 321-2111 FAX (303) 321-1563

June 29, 1989

CERTIFIED - Return Receipt Requested

Ms. Sophia Martinez Star Route, Box 33 Pagosa Springs, Colorado 81147

Ladies:

Jerome P. McHugh, through its operating entity Nassau Resources, Inc., plans to drill an approximate 4100' Fruitland Coal test in the SW/4NE/4 of Section 15-T32N-R4W by mid-August. The proposed drilling/spacing unit for the well is the E/2 of Section 15.

The county records indicate that you own 12 net mineral acres, more or less, in the following lands:

Township 32 North, Range 4 West Section 15: E/2NE/4, NE/4SE/4

As you can see from the attached map, the above described acreage falls within our proposed drilling unit.

We are hereby proposing that you consider one of the two following alternatives:

Enclosed are three (3) original Oil and Gas Lease instruments covering your interest in the E/2NE/4, NE/4SE/4 of Section 15-T32N-R4W. Also enclosed is our draft in the amount of \$348.00, being \$25/net mineral acre for your 12 mineral acres (total \$300) plus four years of delay rentals (total \$48). Our lease provides for a five (5) year term and a 1/8th royalty. In conjunction with said lease, enclosed are six (6) Ratification and Joinder instruments for our Carracas Canyon Unit that need to be executed as well as our proposed well is a Carracas Canyon Unit well. you are married, we ask that both you and your spouse execute the leases before a Notary Public, fill in your social security number, and return two originals to my attention. Both of you should also sign the Ratification instruments before a Notary Public and return five (5) to my attention with the lease. Upon executing and returning the lease and Ratification to me, feel free to submit the enclosed draft to your local bank as a collection item.

Ms. Sophia Martinez June 29, 1989 Page Two

-OR-

2. Enclosed are two original Authority for Expenditure (AFE) instruments No. A52202. In the event you elect not to lease with us, you may elect to join as a paying and participating working interest owner in our well. Based on your 12 net acres in the drilling unit, you may join for 3.75% (12 acres ÷ 320 acres) of the drilling and completion costs, being \$15,412.50. If this is your election, please execute and date one copy of the AFE instrument returning it to my attention, at which time I will forward the remaining documentation for your participation.

We request that you respond in writing to this proposal by July 15, 1989. Failure to do so will leave us no alternative but to request that this well be put on the August 9, 1989 docket of the New Mexico Oil Conservation Commission for a forced pooling action.

Feel free to call me at (303) 321-2111 should you have any questions.

Very truly yours,

Randi E Callins

Randi E. Collins for Kent C. Craig

RCC/rc

enclosures

SENDER: Complete items 1, 2, 3, and 4. SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" Space on reverse. CONSULT POSTMASTER FOR FEES) 1. The following service is requested (check one). Consideration of the service is requested (check one). Consideration of the service is requested (check one). Show to whom, date, and address of dehiery. 2. Constitute address of dehiery. 3. ARTICLE ADDRESSED TO: Sophia Martinez Sophia Martinez Sophia Martinez Sophia Martinez ARTICLE NUMBER ATTYPE OF SERVICE: Constitute of Service in Historic agent (Always obtain signature of addressee or agent) I have received the article described above. SIGNATURE ADDRESSE (ony i requested) SIGNATURE ADDRESSE (ony i requested) SIGNATURE Adoptesser's Addresse (ony i requested) A TOTAL SENTIARE ANDRESSER'S ADDRESS (ony i requested) A TOTAL SECTION IN INCIDENTIALE TO DELIVER SECAUSE: A GOO! 1982 3778-6503

NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

27 JUNE 1989

DATE:

CARRACAS CANYON UNIT WELL NO.: 15 B-7 LSE NAME: LOCATION: SW NE SEC 15, T32N R04W COUNTY: RIO ARRIBA OPERATOR: NASSAU RESOURCES, INC. STATE: NEW MEX. DESCRIPTION: 4100' FRUITLAND COAL TEST EXPENDITURE TANGIBLE INTANGIBLE LEASEHOLD ACCOUNTING COST COST COSTS A-60105 TITLE COSTS A-60202 LEGAL COSTS/ XXXXXXXXX XXXXXXXXX 2,000 xxxxxxxxx 2,000 xxxxxxxx LEGAL COSTS/SURFACE DAMAGES XXXXXXXX A-60203 SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION 20,000 XXXXXXXX A-60204 CONTRACT DRILLING A-60205 MUD/CHEMICALS/ADDITIVES A-60206 WATER/PURCHASE/TRANSPORTATION
A-60207 OPEN HOLE LOGGING
A-60208 MUD LOGGING A-60209 DST/FORMATION TESTING A-60210 CORING/CORE ANALYSIS A-60211 TRUCKING/HAULING/CATWORK A-60212 A-60213 CEMENTING SERVICES RENTAL TOOLS AND EQUIPMENT A~60214 PROF SERVICES AND EXPENSES A-60215 SUPERVISION/OVERHEAD A-60216 CONTRACT SERVICES/SUPPLIES A-60217 PLUG/ABANDON/CLEANUP A-60218 MISCELLANEOUS/CONTING A-60302 CASING, SURFACE &/OR A-60218 MISCELLANEOUS/CONTINGENCIES
A-60302 CASING, SURFACE &/OR CONDUCTOR
A-60303 CASING, INTERMEDIATE Ø XXXXXXXXX XXXXXXXX A-60304 FLOAT EQUIPMENT & CENTRALIZERS
A-60305 CASING HEAD/ DRILLING FLANGE INCL XXXXXXXXX XXXXXXXX · Ø XXXXXXXXX XXXXXXXX A-60305 CASING HEAD/ DRILLING FLANGE @ XXXXXXXX XXXXXXXX A~60306 NON-CONTROLLABLE EQUIPMENT DRY HOLE COST: TOTAL \$114,000 < < < 112,000 2,000 A~60231 CEMENTING SERVICES A-60232 A-60233 A-60234 A-60235 2,000 XXXXXXXX A-60236 DIRT WORK/CONSTRUCTION CONTRACT SERVICES/SUPPLIES A-60237 A-60238 SUPERVISION/OVERHEAD A-60239 PROFESSIONAL SERVICES & EXPENSES XXXXXXXXX A-60240 MISCELLANEOUS/CONTINGENCIES XXXXXXXXX A-60331 CASING, PRODUCTION &/OR LINER 25,000 A-60332 FLOAT EQUIPMENT & CENTRALIZERS 0 XXXXXXXXX 5,000 XXXXXXXXX 25,000 XXXXXXXXX XXXXXXXX A-60333 A-60334 A--60335 . 60336 A-60337 A-6033 SEPARATOR/TREATOR/PRODUCTION UNIT 20,000 XXXXXXXXX XXXXXXXX BO, OOO XXXXXXXXX XXXXXXXX A-60339 PIPELINE/POWERLINE 2,000 XXXXXXXXX XXXXXXXX A-60340 VALVES/FITTINGS/LINE PIPE NON-CONTROLLABLE EQUIP/MISC EQUIP 500 XXXXXXXX XXXXXXXX 1,500 XXXXXXXX XXXXXXXX A-60341 TRUCKING/HAULING/TRANSPORTATION A-60342 COMPLETION COSTS: TOTAL \$297,000 (((191,000 106,000 \$411,000 (((191,000 218,000 2,000 TOTAL WELL COSTS: WORKING INTEREST PARTNER APPROVALS: ا المواقع الم Sophia Martinez 3.75% _DATE:____ TITLE McHUGH APPROVALS: LAND ENGR. ACCT. PRES. FIELD APPR. BY: ____

AFE NO.: A52202

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the <u>Carracas Canyon</u> Unit Area, County of <u>Rio Arriba</u> , State of New Mexico, dated <u>January 27, 1987</u> , in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully though the undersigned had executed the original instrument.
This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.
This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors interest.
Sophia Martinez
Address:
STATE OF
Notary Public
My commission expires:

OIL AND GAS LEASE

AGREEMENT, Made and entered into the Sophia Martinez	29th	day of	June	, 19_89	, by and between	
whose post office address is Star Route, Kindermac Partners, a Coloral general partnership WITNESSETH, That the Lessor, for and cash in hand paid, the receipt of which is here leased and let, and by these presents does graexclusive right for the purpose of mining, explowhatsoever nature or kind, with rights of way and of said products, all that certain tract of land sit State of New Mexico	in consideration of	the covenants at exclusively u other methods, pipe lines, and R	n and more and agreements hereinafter into the said Lessee, the la and operating for and pro crection of structures there io Arriba as follows, to-wit:	contained, has not hereinafter diducing therefron	DOLLARS granted, demised, escribed, with the	2
	Section 14:	NW/4SW/4	NL/ 43L/ 4			
and containing 1. It is agreed that this lease shall rema nature or kind is produced from said leased prif, at the expiration of the primary term of th Lessee is then engaged in drilling or re-working ously prosecuted on the leased premises or on more than ninety (90) days shall elapse betwee subsequent well. If after discovery of oil or gafter the primary term, this lease shall not term date of cessation of production or from date oilons at or after the expiration of the primary premises or on acreage pooled therewith. 2. This is a PAID-UP LEASE. In considing provided herein, to commence or continuary term surrender this lease as to all or any release or releases, and be relieved of all obligations of the premises the said. To deliver to the credit of Lesso (1/8) part of all oil produced and saved for 2nd. To pay Lessor one-eighth (1/8) found, while the same is being used of monthly at the prevailing market rate for 3rd. To pay Lessor for gas produced a royalty of one-eighth (1/8) of the proce 4. Where gas from a well capable of p Dollar per year per net royalty acre retained hensuing after the expiration of 90 days from the period such well is shut in. If such payment. 5. If said Lessor owns a less interest in (including any shut-in gas royalty) herein proviand undivided fee. 6. Lessee shall have the right to use, free the wells of Lessor. 7. When requested by Lessor, Lessee shalls. No well shall be drilled nearer than 26 9. Lessee shall have the right at any it remove casing. 11. The rights of Lessor and Lessee hereur or otherwise) shall be binding on Lessee here or otherwise) shall be binding on Lessee until it documents and other information necessary to thereafter made. 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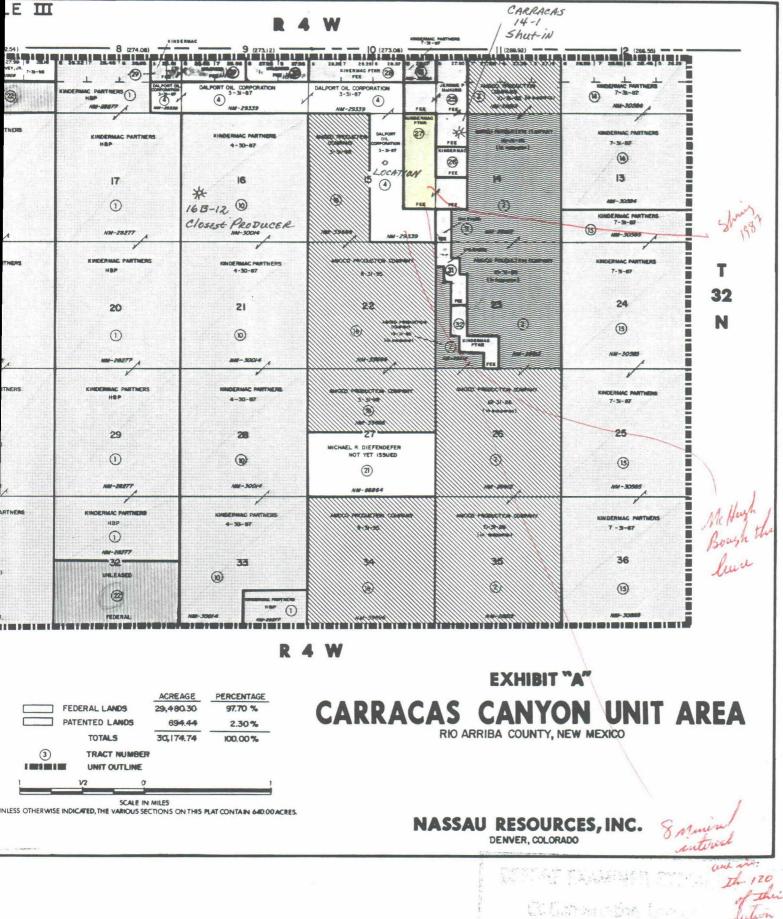
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T32N-R4W Sec. 15: E/2NE/4, NE/4SE/4

OFFICE COPY

County_ State___

Gross Acres_____
Net Acres____



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