

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION OF MRC PERMIAN COMPANY  
FOR COMPULSORY POOLING  
LEA COUNTY, NEW MEXICO**

**CASE NO. 25409**

**OBJECTION,  
ENTRY OF APPEARANCE and  
PRE-HEARING STATEMENT**

COMES NOW, Perry Toles, President/Manager of Toles-Com-Ltd, LLC, and hereby enters his appearance on behalf of Toles-Com-Ltd, LLC who was a recipient of the above captioned APPLICATION by certified mail and respectfully enters this pre-hearing statement and evidence in support of the APPLICATION.

WHEREAS, MRC Permian Company ("MRC"), through its attorneys, have made an APPLICATION to the Oil Conservation Division ("OCD") for an order pooling all uncommitted mineral interests within a Wolfcamp horizontal spacing unit underlying the W/2 of Sections 26 and 35, Township 15 South, Range 36 East, and Lots 3-6 and 11-14 (NW/4 equivalent) of Section 5, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

WHEREAS, In its APPLICATION at numbered paragraph #4 Applicant states that MRC sought, but has been unable to obtain, a voluntary agreement from all interest owners underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

WHEREAS, Toles-Com-Ltd, LLC received only "low ball" offers from applicant with regard to any type of proposed agreement for these lands, specifically a lease of our minerals, and offers the attached copy of a prior lease of these minerals for a ¼ Royalty as evidence of the market value of these lands.

THEREFORE, the undersigned requests that this evidence be considered by the OCD.

Respectfully Submitted this 26<sup>th</sup> day of May 2025,

Toles-Com-Ltd, LLC

By: 

Perry Toles, President/Manager  
PO Box 1300  
Roswell, NM 88202  
(575) 622-5863  
toles@roswell.net

**CERTIFICATE OF SERVICE**

I hereby certify that on May 27, 2025, I served a copy of the foregoing document to the following via certified mail to: Adam G. Rankin, Michael H Feldewert & Paula M. Vance, Post Office Box 2208 Santa Fe, NM 87504. Phone: 505.988.4421. Attorneys for MRC Permian Company.

A handwritten signature in blue ink is positioned above a solid horizontal line. The signature is stylized, appearing to start with a large 'C' or 'G' followed by several loops and ending with a horizontal stroke.

Form: 342P

## Oil &amp; Gas Lease

THIS AGREEMENT made this 19th day of July, 2017 between Toles-Com-Ltd., LLC, whose address is P.O. Box 1300, Roswell, NM 88202, herein called Lessor (whether one or more) and Continental Resources, Inc., whose address is 20 N. Broadway, Oklahoma City, OK 73102, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, conducting seismic operations, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

**Lot 4 (51.75 acres) and Lot 5 (40.00 acres)  
Section 5 Township 16 South, Range 37 East**

Said land is estimated to comprise 91.75 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of **three (3) years** from August 20, 2017 (called primary term) and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/4 of the gas used, provided that on gas sold on or off the premises, the royalties shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 90 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. The "amount realized" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions or Paragraph 3 hereof.

5. Lessee is hereby granted 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, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the area prescribed or permitted by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority to be dedicated or assigned to a well spacing or proration unit, project area, or other unit or area in order for a well located on said land to be drilled or operated in conformity with applicable well spacing and density rules or to be assigned the maximum permissible producing allowable, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units 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 royalty, as operations conducted upon 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 production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage 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 entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different 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 primary term all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all

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casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, it's or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. If, at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, which Lessor is willing to accept from any party offering consideration to Lessor for a lease (top lease) covering any or all of the substances covered by this lease or covering all or a portion of the land described herein, with the top lease becoming effective upon the expiration of this lease, Lessor hereby agrees to immediately notify Lessee in writing of said offer, setting forth the proposed Lessee's name, bonus consideration and royalty to be paid for such lease, and Lessor shall include a copy of the lease form to be utilized which form shall reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease or extend the primary term of this lease with Lessor on equivalent terms and conditions as made in the top lease. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. It is understood that any top lease acquired by Lessee herein pursuant to this provision, shall not limit the term or otherwise affect the validity of this lease. Any top lease granted by Lessor to a third party without, prior notification to Lessee, as set out above, shall be null and void.

13. Lessee shall have the option, but not the obligation of extending the primary term of this lease in whole or in part for an additional two (2) years from the expiration of the primary term by the payment to lessor on or before the expiration of said primary term, an additional per acre bonus consideration equal to 125% of the per acre bonus consideration originally paid for this lease.

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

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Lessor: Toles-Com-Ltd., LLC

  
Perry S. Toles, Manager

STATE OF New Mexico

§

(CORPORATE ACKNOWLEDGMENT)


COUNTY OF Chaves

§

On this 25th day of July, 2017, before me the undersigned a Notary Public in and for the County and State aforesaid, personally appeared Perry S. Toles, personally known to me, who being by me duly sworn, did say that he is the Manager of Toles-Com-Ltd., LLC and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such Limited Liability Company, for the uses and purposes therein set forth

Given under my hand and seal of office the day and year last above written.

My Commission Expires: 8-25-17

  
Notary Public

## Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease covering portions of **Section 5, Township 16 South, Range 37 East**, all in **Lea County, New Mexico** dated this 19th day of July, 2017, but Effective August 20, 2017, by and between, **Toles-Com-Ltd., LLC** and **Continental Resources, Inc.**

The following provisions are part of this oil and gas lease and, if there be conflict between these provisions and any of the foregoing provisions, the following provisions shall apply and take precedence.

It is agreed and understood that this lease shall expire at the end of the primary term as to all depths from one hundred (100) feet below the stratigraphic equivalent of the base of the deepest formation penetrated from any well drilled during the term of the lease or any extension thereto or in any land that was spaced, unitized or pooled during the primary term.

That this lease shall expire two (2) years after the expiration of the primary term as to all lands not included within a producing unit, from any well drilled on the above-described lands or on lands spaced, unitized or pooled therewith. Provided; however, if the Lessee, its agents or any party acting in agreement therewith, is then engaged in drilling, reworking or any other operations which by the remaining provisions hereof would otherwise be sufficient to extend this lease beyond its primary term, then this provision shall not take effect and the lease shall not terminate as aforesaid until such operations are completed.

It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas and other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

Notwithstanding anything to the contrary herein, it is understood and agreed that, at the end of the primary term of this lease, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty in excess of two (2) consecutive years.

No Warranty of Title: This lease is granted, leased and let with warranty of title by, through and under Lessor but not otherwise, and without other warranty of any kind or nature. Provided the sole and only remedy for breach of said special warranty of title shall be the return of that portion of the bonus as is fairly allocable to any such title as shall have failed.

**Lessor: Toles-Com-Ltd., LLC**

SIGNED FOR IDENTIFICATION:



**Perry S. Toles, Manager**



## Oil &amp; Gas Lease

COPY

THIS AGREEMENT made this 19th day of July, 2017 between Toles-Com-Ltd., LLC, whose address is P.O. Box 1300, Roswell, NM 88202, herein called Lessor (whether one or more) and Continental Resources, Inc., whose address is 20 N. Broadway, Oklahoma City, OK 73102, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, conducting seismic operations, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

**The Northwest Quarter of the Northwest Quarter (NW/4 NW/4)  
Section 35 Township 15 South, Range 36 East**

Said land is estimated to comprise 40.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from August 20, 2017 (called primary term) and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.
3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/4 of the gas used, provided that on gas sold on or off the premises, the royalties shall be 1/4 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 90 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. The "amount realized" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.
4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions or Paragraph 3 hereof.
5. Lessee is hereby granted 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, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the area prescribed or permitted by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority to be dedicated or assigned to a well spacing or proration unit, project area, or other unit or area in order for a well located on said land to be drilled or operated in conformity with applicable well spacing and density rules or to be assigned the maximum permissible producing allowable, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units 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 royalty, as operations conducted upon 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 production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage 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 entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.
6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different 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 primary term all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
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8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

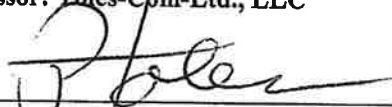
12. If, at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, which Lessor is willing to accept from any party offering consideration to Lessor for a lease (top lease) covering any or all of the substances covered by this lease or covering all or a portion of the land described herein, with the top lease becoming effective upon the expiration of this lease, Lessor hereby agrees to immediately notify Lessee in writing of said offer, setting forth the proposed Lessee's name, bonus consideration and royalty to be paid for such lease, and Lessor shall include a copy of the lease form to be utilized which form shall reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease or extend the primary term of this lease with Lessor on equivalent terms and conditions as made in the top lease. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. It is understood that any top lease acquired by Lessee herein pursuant to this provision, shall not limit the term or otherwise affect the validity of this lease. Any top lease granted by Lessor to a third party without, prior notification to Lessee, as set out above, shall be null and void.

13. Lessee shall have the option, but not the obligation of extending the primary term of this lease in whole or in part for an additional two (2) years from the expiration of the primary term by the payment to lessor on or before the expiration of said primary term, an additional per acre bonus consideration equal to 125% of the per acre bonus consideration originally paid for this lease.

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

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Lessor: Toles-Cpm-Ltd., LLC

  
Perry S. Toles, Manager

STATE OF New Mexico

COUNTY OF Chaves

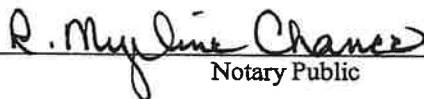
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(CORPORATE ACKNOWLEDGMENT)

On this 25th day of July, 2017, before me the undersigned a Notary Public in and for the County and State aforesaid, personally appeared **Perry S. Toles**, personally known to me, who being by me duly sworn, did say that he is the **Manager of Toles-Com-Ltd., LLC** and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such **Limited Liability Company**, for the uses and purposes therein set forth

Given under my hand and seal of office the day and year last above written.

My Commission Expires: 8-25-17

  
Notary Public

## Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease covering portions of Section 35, Township 15 South, Range 36 East, all in Lea County, New Mexico dated this 19th day of July, 2017, but Effective August 20, 2017, by and between, Toles-Com-Ltd., LLC and Continental Resources, Inc.

The following provisions are part of this oil and gas lease and, if there be conflict between these provisions and any of the foregoing provisions, the following provisions shall apply and take precedence.

It is agreed and understood that this lease shall expire at the end of the primary term as to all depths from one hundred (100) feet below the stratigraphic equivalent of the base of the deepest formation penetrated from any well drilled during the term of the lease or any extension thereto or in any land that was spaced, unitized or pooled during the primary term.

That this lease shall expire two (2) years after the expiration of the primary term as to all lands not included within a producing unit, from any well drilled on the above-described lands or on lands spaced, unitized or pooled therewith. Provided; however, if the Lessee, its agents or any party acting in agreement therewith, is then engaged in drilling, reworking or any other operations which by the remaining provisions hereof would otherwise be sufficient to extend this lease beyond its primary term, then this provision shall not take effect and the lease shall not terminate as aforesaid until such operations are completed.

It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas and other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

Notwithstanding anything to the contrary herein, it is understood and agreed that, at the end of the primary term of this lease, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty in excess of two (2) consecutive years.

No Warranty of Title: This lease is granted, leased and let with warranty of title by, through and under Lessor but not otherwise, and without other warranty of any kind or nature. Provided the sole and only remedy for breach of said special warranty of title shall be the return of that portion of the bonus as is fairly allocable to any such title as shall have failed.

**Lessor: Toles-Com-Ltd., LLC**

SIGNED FOR IDENTIFICATION:

  
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Perry S. Toles, Manager





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**Retail**



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**THE TOLES COMPANY**  
[ 400 PENN PLAZA, SUITE 950 ]  
P.O. DRAWER 1300  
ROSWELL, NEW MEXICO 88202-1300

**To:**

Holland & Hart  
P.O. Box 2208  
Santa Fe, NM 87504-2208

06/04/25