

Stogner, Michael

From: Byars,David [dbyars@edgepet.com]
Sent: Wednesday, October 20, 2004 12:10 PM
To: 'mstogner@state.nm.us'
Subject: Henshaw 7 Fed. #1 - "NSL" permit

Mr. Stogner,
Just wanted to let you know that I'm mailing you a copy of the oil & gas lease that pertains to this well today. If you need anything else, please let us know.

Contact Jim Keisling, VP Production
(713) 427-8883
jkeisling@edgepet.com

Thank you,

David Byars
dbyars@edgepet.com
713/427-8825

This email has been scanned by the MessageLabs Email Security System.
For more information please visit <http://www.messagelabs.com/email>

RECEIVED

55333

OCT 25 2004

Form 100-3
(June 1988)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0034
Expires: August 31, 1989

ASSIGNMENT OF RECORD-TITLE INTEREST IN A
LEASE FOR OIL AND GAS OR GEOTHERMAL RESOURCES

Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.)
Act for Acquired Lands of 1947 (30 U.S.C. 351-359)
Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025)
Department of the Interior Appropriations Act, Fiscal Year 1981 (42 U.S.C. 6508)

Lease Serial No.
See Attached
Lease Effective Date
(Anniversary Date)
New Serial No.

Type or print plainly in ink and sign in ink

PART A: ASSIGNMENT

RECEIVED
BUR. OF LAND MGMT.
N.M.S.O. SANTA FE

1. Assignee* Fina Oil and Chemical Company
Street 6 Desta Drive, Suite 4400
City, State, ZIP Code Midland, TX 79705

AUG 03 1989
AM
7 8 9 10 11 12 1 2 3 4 5 6 PM

*If more than one assignee, check here and list the name(s) and address(es) of all additional assignees on the reverse of this form or on a separate attached sheet of paper.

This record title assignment is for: (Check one) Oil and Gas Lease, or Geothermal Lease

Interest conveyed: (Check one or both, as appropriate) Record Title, Overriding Royalty, payment out of production or other similar interests or payments

2. This assignment conveys the following interest:

Land Description	Percent of Interest			Percent of Overriding Royalty or Similar Interests	
	Owned	Conveyed	Retained	Reserved	Previously reserved or conveyed
a	b	c	d	e	f
BLM RECOGNIZES ONLY THE ASSIGNMENT OF INTEREST, NOT THE CONDITIONS OF THE AGREEMENT SEE ATTACHED EXHIBIT RECORDER'S MEMORANDUM All or parts of the text on this page was not clearly legible for satisfactory recordation. EDDY COUNTY CLERK					

FOR BLM USE ONLY—DO NOT WRITE BELOW THIS LINE

UNITED STATES OF AMERICA

This assignment is approved solely for administrative purposes. Approval does not warrant that either party to this assignment holds legal or equitable title to this lease.

Assignment approved for above described lands;

Assignment approved for attached land description

Assignment approved effective SEP 1 1989

Assignment approved for land description indicated on reverse of this form.

RECEPTION
899665

CHIEF LEASE MAINTENANCE

AUG 2 1989

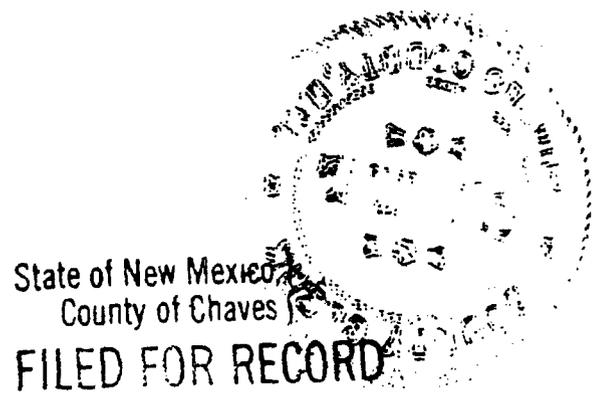
EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM-0007306	<u>TWP-10S, RGE-25E</u> Section 26 - S/2 SW/4, NW/4 SW/4 Section 27 - NW/4 NE/4, S/2 NE/4, E/2 SE/4 Section 34 - E/2 E/2 Section 35 - E/2, W/2 W/2	ALL	NONE	NM2690
NM-0282501-A	<u>TWP-15S, RGE-29E</u> Section 26 - W/2 Section 35 - All	ALL	NONE	NM2845

All of the above situated in Chaves County, New Mexico

RECEIVED
 COUNTY CLERK
 1990 JUL 19 11:30
 STATE OF NEW MEXICO
 SAMUEL...



State of New Mexico
 County of Chaves
FILED FOR RECORD

JAN 2 1990

At 9:27 o'clock A M and recorded in
 book 72 page 680
 Rhoda Goodloe County Clerk
[Signature] Deputy
 Rct#71640 \$14.00 Fina Oil and Chemical Co.
 6 Desta Dr, Suite 4400
 Midland, TX 79705

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FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
LC-0063622	<u>TWP-19S, RGE 31E</u> Section 21 - S/2 Section 28 - N/2 NE/4, SW/4 NE/4 W/2 Section 29 - E/2	ALL	NONE	NM2649
LC-0065970-A	<u>TWP-24S, RGE-29E</u> Section 7 - N/2 NE/4 Section 8 - N/2 NE/4, N/2 SW/4 Section 20 - NE/4 NE/4, S/2 NE/4 W/2 SE/4 Section 21 - W/2 NE/4, N/2 SE/4	ALL	NONE	NM2645
NM-0318474	<u>TWP-18S, RGE-30E</u> Section 29 - SE/4 SW/4	ALL	NONE	NM2676
NM-0299646	<u>TWP-19S, RGE-31E</u> Section 27 - N/2	ALL	NONE	NM2683
NM-0309377-A	<u>TWP-19S, RGE-31E</u> Section 13 - NE/4 SW/4	ALL	NONE	NM2686
NM-0554775	<u>TWP-19S, RGE-31E</u> Section 14 - N/2 SW/4, SE/4 SW/4	ALL	NONE	NM2687

All of the above situated in Eddy County, New Mexico

RECORDER'S MEMORANDUM
All or parts of the text on this page was not clearly legible for satisfactory recording.
EDDY COUNTY CLERK

JUL 18 1989
 10:51 AM
 REC'D
 COUNTY CLERK

EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM-0397623	<u>TWP-17S, RGE-29E</u> Section 6 - Lot 7 Section 17 - N/2, N/2 SW/4	ALL	NONE	NM2694
LC-0066087	<u>TWP-19S, RGE-30E</u> Section 6 - Lots 6, 7, E/2 SW/4 Section 7 - Lots 3, 4, E/2 SW/4	ALL	NONE	NM2704
LC-0069111	<u>TWP-18S, RGE-30E</u> Section 31 - Lot 2, SE/4 NW/4	ALL	NONE	NM2705
NM-7724	<u>TWP-16S, RGE-30E</u> Section 6 - Lots 9-18, E/2 SW/4, SE/4 Section 7 - Lots 1-4, NE/4, E/2 NW/4 All formations; E/2 SW/4 & SE/4 - All formations except Premier Sand Interval Section 18 - Lots 1-4 - All formations; E/2 & E/2 W/2 - All formations except Premier Sand Interval Section 19 - Lots 1-4; S/2 NE/4, SE/4 NW/4, E/2 SW/4 & SE/4 - All formations N/2 NE/4 & NE/4 NW/4 - All formations except Premier Sand Interval	ALL	NONE	NM2721

NOTE: Premier Sand defined as that interval occurring between the depths of 2744 feet and 2788 feet as shown in the gamma ray- microlaterolog of the Tenneco Oil Company's Hagerty Federal Well No. 5 located 660 feet north from the south line and 660 feet west from the east line of Section 18, T-16-s, R-30-S, Eddy County, New Mexico

All of the above situated in Eddy County, New Mexico

RECORDER'S MEMORANDUM
All or parts of the text on this page was not clearly legible for satisfactory recordation.
EDDY COUNTY CLERK

RECEIVED
 COUNTY CLERK
 1989 JUL 19 11 59 AM
 STATE OF NEW MEXICO
 SHERIFF'S OFFICE

EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
LC-0070242-A	<u>TWP-19S, RGE-31E</u> Section 22 - NE/4 NW/4	ALL	NONE	NM2749
NM-0107697	<u>TWP-19S, RGE-31E</u> Section 23 - E/2, S/2 NW/4, SW/4 Section 24 - W/2 NE/4, W/2 Section 25 - All Section 26 - All <u>TWP-19S, RGE-32E</u> Section 30 - Lots 1, 2	ALL	NONE	NM2748
LC-0048479-A	<u>TWP-17S, RGE-28E</u> Section 20 - NW/4 NE/4, SE/4 NW/4	ALL	NONE	NM2752
LC-0028456	<u>TWP-17S, RGE-28E</u> Section 19 - SE/4 SE/4 Section 20 - SE/4 NE/4	ALL	NONE	NM2491
LC-0048479-B	<u>TWP-17S, RGE-28E</u> Section 20 - NE/4 NW/4, SW/4 NW/4	ALL	NONE	NM2754
NM-0048345	<u>TWP-17S, RGE-28E</u> Section 20 - NW/4 NW/4	ALL	NONE	NM2755

All of the above situated in Eddy County, New Mexico

RECORDER'S MEMORANDUM
 All or parts of the text on this page was
 not clearly legible for satisfactory recorda-
 tion.
 EDDY COUNTY CLERK

RECEIVED
 COUNTY CLERK
 200 JUL 19 AM 9 30
 EDDY COUNTY, N.M.

EXHIBIT "A"

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FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM-0048342	<u>TWP-16S, RGE-28E</u> Section 33 - W/2 SW/4, NE/4 SW/4, SW/4 NW/4, S/2 NE/4, NE/4 NE/4	ALL	NONE	NM2756
	<u>TWP-17S, RGE-28E</u> Section 4 - Lot 4, S/2 NW/4			
LC-0061670	<u>TWP-17S, RGE-30E</u> Section 25 - SW/4 SE/4, E/2 SE/4	ALL	NONE	NM2785
LC-0028375-A	<u>TWP-17S, RGE-27E</u> Section 3 - Lot 1, S/2 NE/4, SE/4	ALL	NONE	NM2786
LC-0028375-B	<u>TWP-17S, RGE-27E</u> Section 3 - Lots 2, 3, 4 Section 4 - Lots 2, 3, 4, SW/4 NE/4, S/2 NW/4, S/2 SW/4, N/2 SE/4 Section 5 - SE/4 NE/4, S/2 SW/4, S/2 SE/4, NW/4 SE/4 Section 6 - Lot 1, SE/4 NE/4 Section 9 - NE/4 NW/4, N/2 NE/4 Section 10 - NE/4 NE/4 Section 11 - SE/4 SW/4, S/2 SE/4, NW/4 NW/4 Section 14 - NW/4 SE/4	ALL	NONE	NM2787

RECORDER'S MEMORANDUM
All or parts of the text on this page was not clearly legible for satisfactory recordation.
EDDY COUNTY CLERK

~~NM-058928 TWP-20S, RGE-28E ALL NONE NM2821~~

DENIED. LSE
EKA 7.31.89

~~Section 29 - NW/4~~

All of the above situated in Eddy County, New Mexico

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 30 day of October, A.D. 19 89 at 3:11 o'clock P. M., and duly recorded

RECEIVED
EDDY COUNTY CLERK
1989 JUL 19 11 59 AM
STATE OF NEW MEXICO
SANTA FE, N.M.

EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	PERCENT OF INTEREST RETAINED	FINA LEASE NUMBER
LC-0062269-A	<u>TWP-24S, RGE-32E</u> Section 22 - E/2, E/2 NW/4, SW/4 NW/4, SW/4	ALL	NONE	NM2847
LC-0060579	<u>TWP-24S, RGE-37E</u> Section 22 - NE/4 NE/4	ALL	NONE	NM2768
LC-0065863	<u>TWP-19S, RGE-32E</u> Section 19 - Lots 2, 4, NE/4 SW/4	ALL	NONE	NM2769
NM-036428	<u>TWP-26S, RGE-34E</u> Section 30 - Lots 1, 2, 3, 4, E/2 W/2	ALL	NONE	NM2792
NM-043733	<u>TWP-20S, RGE-32E</u> Section 3 - Lots 1, 2, 3, S/2 NE/4, SE/4 NW/4, E/2 SW/4, N/2 SE/4, SE/4 SE/4	ALL	NONE	NM2802
NM-054898	<u>TWP-24S, RGE-35E</u> Section 1 - Lots 2, 3, 4, SW/4 NE/4, S/2 NW/4, W/2 SE/4 Section 12 - NE/4, N/2 NW/4, SW/4 NW/4, SW/4, N/2 SE/4 Section 13 - E/2 NW/4, W/2 SW/4, W/2 SE/4 <u>TWP-24S, RGE-36E</u> Section 19 - Lot 3	ALL	NONE	NM2813

DENIED - LSE
EXP 4.30.89

RECEIVED
CULTURAL RESOURCES

1989 JUL 19 11 08 30

STATE OF NEW MEXICO

All of the above situated in Lea County, New Mexico

EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM0007966	<u>TWP-20S, RGE-36E</u> Section 35 - NW/4	ALL	NONE	NM2648
LC0062269-E	<u>TWP-24S, RGE 32E</u> Section 23 - NW/4 NW/4	ALL	NONE	NM2675
NM-0141096	<u>TWP-23S, RGE-37E</u> Section 15 - W/2 NW/4, E/2 SW/4, W/2 NE/4, E/2 SE/4	ALL	NONE	NM2764
NM-0000569	<u>TWP-25S, RGE-38E</u> Section 6 - S/2 Section 7 - N/2 Section 8 - W/2 Section 19 - NE/4 Section 21 - W/2 Section 28 - NW/4 Section 29 - N/2 Section 31 - All	ALL	NONE	NM2708
NM-0001135	<u>TWP-19S, RGE-32E</u> Section 33 - N/2, Lots 1-4, N/2 S/2 Section 34 - N/2 SW/4, Lots 1, 2, N/2	ALL	NONE	NM2709
LC-0058222	<u>TWP-25S, RGE-37E</u> Section 20 - NE/4 NE/4	ALL	NONE	NM2711

RECEIVED
 CULTURAL DIVISION
 1989 JUL 19 AM 8 31
 STATE OF NEW MEXICO
 SANTA FE, N.M.

All of the above situated in Lea County, New Mexico

EXHIBIT "A"

Attached to and made a part of that certain ASSIGNMENT OF RECORD TITLE INTEREST in a Lease for Oil and Gas or Geothermal Resources, by and between TOC-GULF COAST, INC., Assignor, and FINA OIL AND CHEMICAL COMPANY, Assignee, dated the 3rd day of July, but effective the 31st day of May, 1989, at 11:59 p.m.

FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM-013279	TWP-20S, RGE-33E Section 15 - W/2 NE/4, SE/4 NE/4 NW/4, S/2	ALL	NONE	NM2738

All of the above situated in Lea County, New Mexico

55333

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

DEC 4 1989

at 12:57 o'clock P.M.
and recorded in Book 445
Page 11
By [Signature] Deputy



RECEIVED
CITIZEN MAIL ROOM

1989 JUL 19 AM 8 31

STATE OFFICE
SANTA FE, N. MEX.

EXHIBIT "A"

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FEDERAL SERIAL NO.	LAND DESCRIPTION	PERCENT OF INTEREST CONVEYED	INTEREST RETAINED	FINA LEASE NUMBER
NM-053987	<u>TWP-5S, RGE-32E</u> Section 6 - SE/4	ALL	NONE	NM2838
NM-057548	<u>TWP-8S, RGE-37E</u> Section 7 - Lots 3, 4, E/2 SW/4, SE/4 Section 8 - S/2 Section 17 - N/2	ALL	NONE	NM2840
NM-061367	<u>TWP-8S, RGE-37E</u> Section 18 - NE/4 NW/4	ALL	NONE	NM2842
NM-032592	<u>TWP-7S, RGE-36E</u> Section 25 - SW/4 NE/4, NW/4 NW/4, S/2 NW/4, S/2 Section 29 - NE/4	ALL	NONE	NM2854
NM-0104028-A	<u>TWP-8S, RGE-38E</u> Section 19 - NE/4 SE/4 Section 20 - NW/4, NE/4 SW/4, W/2 SW/4 Section 28 - N/2 SW/4 Section 29 - N/2	ALL	NONE	NM2679

All of the above situated in Roosevelt County, New Mexico

RECEIVED
SARVA REG. N. MEX.
1989 JUL 19 AM 8:31

STATE OF NEW MEXICO
COUNTY OF ROOSEVELT
Recorded this

DEC 14 1989

At 11:00 O'Clock A.M.
Book 130 Page 3
Clerk MAUDENE PARAGAN
Deputy [Signature]



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Office New Mexico
Serial EM 0610

NONCOMPETITIVE

LEASE OF OIL AND GAS LANDS UNDER THE ACT OF
FEBRUARY 25, 1920, AS AMENDED

Act of July 29, 1942

DEC 1 1951

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the day of _____ by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management, party of the first part, and Harry Leonard P. O. Box 872 Roswell, New Mexico

party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force when not inconsistent with any express and specific provisions herein, which are made a part hereof, WITNESSETH:

SECTION 1. Rights of Lessee.—That the lessor, in consideration of rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits except helium gas in or under the following-described tracts of land situated ~~in the~~ ~~tract~~

- T. 16 S., R. 30 E., N.M.P.M., New Mexico
- Sec. 6, Lots 9 to 18 inc., SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$
- 7, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$, Lots 1,2,3,4, (All)
- 18, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$, Lots 1,2,3,4, (All)
- 19, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$, Lots 1,2,3,4, (All)

X
X
X
X
X
X
X
X

containing 2501.32 acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 5 years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this lease occur.

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bonds.—(1) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (2) If the lease is issued noncompetitively, to furnish a bond in a sum double the amount of the \$1 per acre annual rental, but not less than \$1,000 nor more than \$5,000, upon the inclusion of any part of the leased land within the geologic structure of a producing oil or gas field. (3) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$5,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an approved operator of the lease is accepted.

Until a general lease bond is filed a noncompetitive lessee will be required to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In all other cases where a bond is not otherwise required, a \$1,000 bond must be filed for compliance with the lease obligations not less than 90 days before the due date of the next unpaid annual rental, but this requirement may be successively dispensed with by payment of each successive annual rental not less than 90 days prior to its due date.

(b) Cooperative or unit plan.—Within 30 days of demand, or if the land is within an approved unit plan, in the event such a plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) Wells.—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor or lands of the United States leased at a lower royalty rate, or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined under instructions of said Secretary; (2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may require to insure diligence in the development and operation of the property.

(d) Rentals and royalties.—(1) To pay the rentals and royalties set out in the rental and royalty schedule attached hereto and made a part hereof.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas; due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced. The lessee shall not be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Royalties shall be subject to reduction on the entire leasehold or on any portion thereof segregated for royalty purposes if the Secretary of the Interior finds that the lease cannot be successfully operated upon the royalties fixed herein, or that such action will encourage the greatest ultimate recovery of oil or gas or promote conservation.

(e) Contracts for disposal of products.—Not to sell or otherwise dispose of oil, gas, natural gasoline, and other products of the lease except in accordance with a contract or other arrangement first approved by the Director of the Geological Survey or his representative, such approval to be subject to review by the Secretary of the Interior but to be effective unless and until revoked by the Secretary or the approving officer, and to file with such officer all contracts or full information as to other arrangements for such sales.

operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act.

(o) Reserved deposits.—To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) Reserved or segregated lands.—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(q) Overriding royalties.—To limit the obligation to pay overriding royalties or payments out of production in excess of 5 percent to periods during which the average production per well per day is more than 15 barrels on an entire leasehold or any part of the area thereof or any zone segregated for the computation of royalties.

(r) Deliver premises in cases of forfeiture.—To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

SEC. 3. The lessor expressly reserves:

(a) Rights reserved—Easements and rights-of-way.—The right to permit for joint or several use easements or rights-of-way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface.—The right to lease, sell, or otherwise dispose of the surface of any of the lands embraced within this lease which are owned by the United States under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein.

(c) Monopoly and fair prices.—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) Helium.—Pursuant to section 1 of the act, and section 1 of the act of March 3, 1927 (44 Stat. 1387), as amended, the ownership and the right to extract helium from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. In case the lessor elects to take the helium the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor at any point on the leased premises in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof. The lessee shall not suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which he is not reasonably compensated, save for the value of the helium extracted. The lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

(e) Taking of royalties.—All rights pursuant to section 36 of the act, to take royalties in amount or in value of production.

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(f) Casing.—All rights pursuant to section 40 of the act to purchase casing and lease or operate valuable water wells.

(g) Fissionable materials.—Pursuant to the provisions of the act of August 1, 1946 (Public Law 585, 79th Congress) all uranium, thorium, or other material which has been or may hereafter be determined to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine and remove the same, making just compensation for any damage or injury occasioned thereby.

SEC. 4. Drilling and producing restrictions.—It is covenanted and agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both. After unitization, the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the unit plan, may alter or modify from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

SEC. 5. Surrender and termination of lease.—The lessee may surrender this lease or any legal subdivision thereof by filing in the proper land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the regulations and the terms of the lease, to be accompanied by a statement that all wages and moneys due and payable to the workmen employed on the land relinquished have been paid.

SEC. 6. Purchase of materials, etc., on termination of lease.—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor or another lessee may, if the lessor shall so elect within 3 months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within 3 months elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within a period of 90 days thereafter to remove from the premises all the material, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells. Any materials, tools, machinery, appliances, structures, and equipment, including casing in or out of wells on the leased lands, shall become the property of the lessor, on expiration of the period of 90 days above referred to or such extension thereof as may be granted on account of adverse climatic conditions throughout said period.

SEC. 7. Proceedings in case of default.—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or make default in the performance or observance of any of the terms, covenants, and stipulations hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, as amended, and all materials, tools, machinery, appliances, structures, equipment, and wells shall thereupon become the property of the lessor, except that if said lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. A waiver of any particular

cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

SEC. 8. Heirs and successors in interest.—It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

SEC. 9. Unlawful interest.—It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, and sections 431, 432, and 433, title 18, United States Code, relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF:

THE UNITED STATES OF AMERICA.

By *J. B. Long*
MANAGER

Laurence L. McLean

Henry Leonard

Laurence L. McLean 503 West 12th Street, New York, N.Y.

Witnesses to signature of lessee.

Lessee.

Schedule "A"
RENTALS AND ROYALTIES

Rentals--To pay the lessor in advance on the first day of the month in which the lease issues a rental at the following rates:

- (a) If the lands are wholly outside the known geologic structure of a producing oil or gas field:
- (1) For the first lease year, a rental of 50 cents per acre.
 - (2) For the second and third lease years, no rental.
 - (3) For the fourth and fifth years, 25 cents per acre.
 - (4) For the sixth and each succeeding year, 50 cents per acre.
- (b) On leases wholly or partly within the geologic structure of a producing oil or gas field:
- (1) Beginning with the first lease year after 30 days notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands herein, \$1 per acre.
 - (2) On the lands committed to an approved cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, for the lands not within the participating area an annual rental of 50 cents per acre for the first and each succeeding lease year following discovery.

Minimum royalty--To pay the lessor in lieu of rental at the expiration of each lease year after discovery a minimum royalty of \$1 per acre or, if there is production, the difference between the actual royalty paid during the year and the prescribed minimum royalty of \$1 per acre, provided that on unitized leases, the minimum royalty shall be payable only on the participating acreage.

Royalty on production--To pay the lessor 12½ percent royalty on the production removed or sold from the leased lands.

The average production per well per day for oil and for gas shall be determined pursuant to 30 CFR, Part 221, "Oil and Gas operating Regulations".

In determining the amount or value of gas and liquid products produced, the amount or value shall be net after an allowance for the cost of manufacture. The Allowance for cost of manufacture may exceed two-thirds of the amount or value of any product only on approval by the Secretary of the Interior.

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STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 29 day of August, 1956, at 11:40 o'clock A.M. and duly recorded in Book 75, page 174, of the Records of Oil & Gas.

Mrs. R. A. Wilcox, County Clerk

By Melrose Hendley Deputy