Producer's 88-(Producer's Revised 1994) New Mexico.

J42P, Paid-up

OIL & GAS LEASE

THIS AGREEMENT made this 20TM day of October, 2003, between GEORGIA L. BERGSTEN A/K/A GEORGIA LOU LONDON BERGSTEN and TRESPANSE OF 2003 December 10 2003 Dece

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessoe 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, injecting gas, waters, other fluids, and air into subsurface strate laying pipelines, storing oil, building tanks, reliciphone lines, and other structures and things thereon to produce, save take eare of, treat, process, store and transport said minerals, the following described land in EDDY COUNTY, NEW MEXICO, to-wit:

TOWNSHIP 22 SOUTH, RANGE 30 EAST

SECTION 24: SW/4 NW/4

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 lesse shall remain in force for a term of three (3) years from this date (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 royalities to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 37.6° of that produced and saved from said land, assne 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 easingheed gas or other graseous substance produced from said land, assne to be delivered premises or used in the manufacture of gasoline or other products, the market value at the well of 37.6° of the gas used, provided that on gas sold on or off the premises, the royalities shall be 37.6° of the gas used, provided that on gas sold on or off the premises, the royalities shall be 37.6° of the gas used, provided that on gas sold on or off the premises, the royalities and the production therefrom, then on or before 90 days after said well is shall and, or land pooded therewith, but gas or condensate is not being so sold or used and such well is shall be performed to the party of the production therefrom, then on or before 90 days after said well is shall in, and thereafter at annual intervals, Lessee may pay or lender an advance shart-in royally equal to \$1.00 per ner core Clessor's gas acreage then held under this lease by the party making such payments or tender, and so long as said shul-in royally is paid or tendered, this lease shall not terminate and it shall be considered under all chauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment while be paid or tendered to the party or parties who as the party of such payment when the receive the 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 to 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 concret such error within 30 days after lessee has received without operation and from the party or parties unded to receive payment together with such writt
- 4. This is a paid-up lesse 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 to make any payments and the continue in this lesse 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 1 hereof.
- 3. 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, mineral estates or parts thereof for the production of oil or gas. Units pooled bereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the Start of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance to ten percent. Lessee shall file written and designations in the country 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 my part of any such unit shall be considered for all purposes, except the payment of propally, as operations conducted upon a production from the land described in this lease. There shall be allocated to the land covered by this lease included in may 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 aumber of surface sores in the unit. The production so allocated shall the considered of all purposes, therefore a 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 unit of the same manner as though produced from said land to evered hereby and included in said unit in the same manner as though produced from said land to evered hereby and included in said unit in the same manner as though produced from said unit in the same manner as though produced from said unit in the same manner as though produced from said unit in the same manner as though produced from said unit in the same manner as though produced from said unit at the unit after the completion of a d
- 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 lesses shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operation 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 leases that do terminate if Lessee commence operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations bereunder result in production, then this lesses 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 kind, 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 of 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 casing. When required by Lesser, Lessee will bury all pipelines on cuttivated lands below ordinary plow depth, and no well shall be drilled within two handred feet (200 ft.) of any residence or been now on said land without Lessor's counself. 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 bereunder.
- 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 assignst, but no change in the ownership of the land or in the ownership of, or rights to receive, royshies or shot-in royshies, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee: and an such change or division shall be binding upon lessee for any purpose until 30 days after Lessee has been furnished by certified shall 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, as its option, pay or tender any royshies or shar-in royshies in the name of the deceased or to his sense 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 lessee in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignment of parts hereof shall fail or make default in the payment of the proportionate part of royshy or shar-in royship due from such Lessee or fall to comply with any of the provisions of this lesse, such default shall not affect this lesse insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall property comply or make such payments.
- 9. Should Leasee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations bereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by upcration of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Leasee's duty shall be suspended, and leasee shall not be highle for failure to comply therewish; and this lease shall be extended while and so long as Leasee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Leasee is so prevented shall not be counted against Leasee, surphing in this lease to the coursary potentialing.
- 10. Lessor hereby warrants and agrees to defend thile 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 shurt-in royalties payable hereunder toward satisfying same. Without imperiment of Lessee's rights under the warranty, if this lesse 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 appetited or not) then the royalties, shut-in royalty, and other payments, if any, sorvered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to excesse this lesses, it shall nevertheless be binding upon the party or parties executing the same.
- (1. Lessen, its or his successors, heirs and essigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his being, 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 sinusted; thereupon Lesses 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 treduced by said release or releases.

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GEORGIA LA ERGSTEN ANA GEORGIA LOU LONDON BERGSTEN DEALING IN HER SOLE AND SEPARATE PROPERTY

PRINTED NAME:	GEOR	GIA	<u>۷.</u>	Bi	RC	5/2	љV
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BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case Nos. <u>13368/13369/13372</u> Exhibit No. 3

Submitted by:

Devon Energy Production Company, L.P. Hearing Date: December 2, 2004

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEARCO		
COUNTY OF Blandillo	O and loo	
The foregoing instrument was acknowledged before me this	day of 1 Dutin File	2003, by GEORGIA L
My Commission Bapires Acco, 2, 2007	Notify Public, State of New Mandoo	2.lle
OF NEW	INDIVIDUAL ACKNOWLEDGMI	ENT (New Mexico Short Form)
STATE OF NEW MEXICO COUNTY OF		
The foregoing instrument was acknowledged before me this	day of	2003, by
	· ·	
My Commission Expires	Notary Public, State of New Mexico	
	or many and the part of the second	·
	Printed Name	

RECEPTION NO: 0315624 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 12/22/2003 8:27 AM BOOK 0534 PAGE 0112



OIL & GAS LEASE

THIS AGREEMENT made this 2th day of October, 2003, between WILLIAM JEFF GLENN AND LORA NELL GLENN, AS TRUSTEES OF THE WILLIAM JEFF GLENN AND LORA NELL SMITH GLENN REVOCABLE TRUST DATED FEBRUARY 13, 1992, of 375 Ridge Road, Silver City, NM 88061, heroin called "Lessor" (whether one or more) and T. VERNE DWYER, 500 West Wall, Suite 310, Midland, Texas 79701, "Lessor".

1. Leasor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Leases herein contained, hereby grants, leases and lets exclusively unto Leases for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into substrates extrat laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save take ears of, frest, process, store and transport taid miterals, the following described land in EDDY COUNTY, NEW MEXICO, to-wite:

TOWNSHIP 22 SOUTH, RANGE 30 EAST

SECTION 24: SW/4 NW/4

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

- Subject to the other provisions herein contained, this lease shall sensain in force for a term of three (3) years from this date (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, 3/16th of that produced and saved from said land, name 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 castaghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market volue as the well of 3/16 the gas used, provided that no gas sold on or off the permisses, the toyalties shall be 3/16th of the gas used, provided that no gas sold on an off the premises, the toyalties shall be 3/16th of the gas used, provided that no gas sold on an off the premises, the toyalties shall be 3/16th of the gas used to make gas shall be 3/16th of the gas used of the gas used of the gas used to an off the premises, the toyalties shall be 3/16th 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 bad, or land pooled therewith, but gas or condensate is not being so sold or used and such well is what in, and the top of the provisions hereof and there is a gas and/or condensate well on said bad, or land pooled therewith, but gas or condensate is not being so sold or used and such developed in a factor of the premises after and well the gas of the provisions hereof and there is a gas and/or condensate well on said bad, or land pooled therewith, but gas or condensates in the time of \$1.00 per near care of Lessor's gas swrage then held under this lease to the gas and well the market proper payment and the under this lease to the development of the said shall be paid or tendered to the party or parties who all the time of such payment or tender of that an orgality which is rounded to the party or parties who and the time of such payment of the conditions. The payment or tender of troyalty which is rounde in a both file tendered to the party or partie
- 4. This is a paid-up lease and Leasee 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 Leasee of the obligation to pay royalises on actual production pursuant to the provisions or paragraph 3 hereof.
- 5. Leasee 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, mineral estates or parts thereof for the production of oil or gas. Units pooled bereunder shall not exceed the standard promition unit fixed 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 for the pool or area in which said land is situated, plus a tokerance to ten percent. Lesses shall file written and designation in the county is which the premises are located and such units may be designated from time to time and citize 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 royably, as operations conducted upon are production from the land described in this lease. There shall be allocated to the land covered by this lease included in many 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 casearion of production on said and.
- 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 commonoed operations for drilling or reworking thereon, this lesse shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operation 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 sary cause, this lease shall not terminate it fursaes common production additional drilling or reworking which so 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 horounder.
- 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 firmore placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines 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 exponse, 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 bereunder may be assigned in whole or in part and the provisions horeof shall extend to their beirs, executors, administrators, assocssors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or that-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 snall at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor, is not until any unch change in ownership occurs through the death of the owner, Leasee may, as its option, pay or tender any royalties or shar-in royalties to the name of the doceased or to his state or to his heirs, executor or administrator until such then as Leasee has been furnished with evidence satisfactory to lessee as to the persons emitted 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 bereof shall fail or make default in the payment of the proportionate part of royalty or shar-in royalty due from such Lessee or any assignees or fail to comply with any of the provisions of this lesse, such default shall not affect this lesse insofer as it covers a part of said lands upon which Lessee or any assignes thereof shall properly comply or make such payments.
- 9. Should Lease 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 nuterial, 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, Lease's duty shall be suspended, and lease shall not be liable for failure to comply denowith; and this lease shall be extended while and so long as a Lease is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while Lease is so prevented shall not be counted against Lease, supthing in this lease to the coursely potential drilling.
- 10. Lessor hereby warrants and agrees to defend title to said hand an agrees that lesses 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 imperiment of Lessee's rights under the warranty, if this lesse covers a less interest in the oil or gas in all or any part of said land than the entire and undivided foe simple estate (whether Lessor's interest is herei apocified or not) then the royalties, shut-in royalty, and other payments, if any, according from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lesse, bears to the whole and whole and the royalty and other payments. Should any one or more of the parties named above as Lessors full to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his nuccessors, beirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessee or his beirs, successors and assigns by delivering or making 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.

the William Jeff Glenn and Lora Nell Smith Glenn Revocable tru	ST DATED FEBRUARY 13, 1992
William Fey Illna BY: WILLIAM JEST GESTIN, TRUSTEE	BY: LORA NELL GLENN, TRUSTEE
Tax I.D. N	550W WILL SEEN MIDDEN TENTON

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO		•
COUNTY OF Mind		
The foregoing instrument was acknowledged before me this	16 th day of Octobar	, 2003, by William Jeff
My Commission Expires 2-21-04	Lackera Bassis	
TA BARRA	Noury Public, State of New Mexico Printed Name Bay Lana Boto	
CARIY CARIY	FIRMOUTHER TOTAL PROPERTY.	
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RECEPTION NO: 0314331 STATE OF NEW MEXICG, COUNTY OF EDDY RECORDED 11/17/2003 10:13 AM BOOK 0530 PAGE 0728 P. Mousal JEAN BLENDEN, COUNTY CLERK



OIL & GAS LEASE

THIS AGREEMENT made this 20° day of Octoberr, 2003, between KENNETH MARK SMITH A/K/A KENNETH M. SMITH, AND WIFE, PATSY LOU SMITH, of 267 Smith Ranch Road, Hobbs, NM 88249, herein called "Lessor" (whether one or more) and T. VERNE DWYER, 500 West Wall, Suitz 310, Mile

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, seceipt of which is hereby acknowledged, and of the royalities herein provided and of the age the Lessee herein contained, hereby grants, lesses and lets exclusively unto Lessee for the purpose of investigating, exploring, prespecting, drilling, and operating for and producing or injecting gas, waters, other fluids, and air into subsurface strate laying pipelines, storing oil, beliding tasks, roadways, telephone times, and other structures and things thereon to produce care of, treat, process, store and transport said minerals, the following described lend in EDDY COUNTY, NEW MEXICO, to-wit:

TOWNSHIP 22 SOUTH, RANGE 30 EAST

SECTION 24: SW/4 NW/4

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 this date (called "primary term") and as long thereafter as oil oduced 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, 3/16th of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipelina to which the wells may be connected; (b) on gas, including exalpheed gas or other gaseous authoristic produced from said land and used off the premises or used in the menufacture of gasotine or other produces, the marker value at the well of J/16th of the gas used, provided that on gas sold on or off the premises, the royalities shall be J/16th of the amount realized from such sale; (c) and at any time when this lesse is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land produced the marker value gas or condensates is not being so sold or used and such well is shul-in, either before or after production therefrom, then on or before 90 days after said well is shul in, and thereafter at annual intervals, Lessee may pay or tender an advance shul-in royalty equal to \$1.00 per net serve of Lessor's gas acreage then held under this lesse by the party waking such payment or tender, and so long as said shul-in royalty is paid or tendered to the party or purises who at the time of such person would be emitted to receive the royalties which would be pied under this lesse if the well were in fact producing. The payment or tender of royalties or shul-in royalties may be made by check or draft. Any timely payment or tender of shul-in royalty which is made in a boss filds attempt to make proper payment, but which is errouccus in whole or in part as to parties or arounds, shall severtheless be sufficient to prevent termination of this lesse in the same manner as though a proper payment, but which is errouccus in whole or in part as to parties or arounds, shall severtheless be sufficient to prevent termination of this lesse in the same manner as though a proper payment, but which is errouccus in whole or in part as to parties or arounds; shal
- This is a paid-up lease and Lessee shall not be obligated during the primary tenn hereof to commence or continue any operations of whatsoever character or to make any ler is order to maintain this tease in force during the primary term; however, this provision is not intended to relieve Lesses of the obligation to pay royalties on actual production purpuses 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 lesse, the land covered by it or any part or horizon thereof with any other land, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed 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 for the pool or area in which said land is situated, plus a tolerance to ten percent. Lessee shall file written unit designations in the county in which the promises are located and such units may be designated from time to time and either before or site 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 lesses. There shall be allocated to the land covered by this lesse included in any such unit in strong to the considered for all purposes, including the payment or delivery of royalty, to be the strate production of pooled minerals from the portion of said land covered hereby and included in any same transner as though producted from said land under the terms of this lesses. Any pooled unit designated by Lessee, as poulted land says by 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 cossistion of production on asid unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lesses has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessetion of more than 60 consecutive days, whether such operation 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 Lesses 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 lesse shall remain in full force so long thereafter as oil or gas is produced hereunder. er as oil or gas is produced b
- 7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tracks, for all operations bereunder, and the royalty shall be computed effect deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or burn now on said land without Lessor's consent. Lessor shall have the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.
- 8. The rights of either party bereunder may be assigned in whole or is part and the provisions hereof shall extend to their beirs, accounters, administrators, successors and assigner, but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shurt-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee: and no tack change or divisions shall be binding upon lessee for any purpose until 30 days after Lessee has been furnished by certified mals at Lessees in 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 shall on the anse of the decreased or to his sense or to his less, and the lessee in the same of the shall be of the control of the former or administrator or administrator until such time as Lessee has been furnished with evidence satisfactory to lessee as to the persons ontitled to such sums. An assignment of this lesse 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 ghat-in royalty due from such Lessee or assignee of this lesse insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall property comply or make each payments.
- 9. Should Lesses be prevented from complying with any express or implied covenant of this lesse, or from conducting drilling or reworking operations hereunder, or from producing oil or gas bereunder by reason of sometry 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 lesses thall 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 white in this leave to the contrary notwi
- 10. Lessor hereby warrants and agrees to defend 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 shur-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lesse covers a less interest to the oil or gas in all or any part of said land than the entire and undivided free simple estate (whether Lessor's inserest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, secruting from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lesse, bears to the whole and undivided fee simple assate therein. Should any one or more of the parties named above as Lessors fail to execute this lesse, 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 ass by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said lend is situated; thereupon Lessee shall be relieved from all oblig 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 here

Kennet Mark Smith

Pater Low Smith

TVerne Dwyer SoowWall Ste 310 Midland TX.79701

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INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO	
The foregoing instrument was acknowledged before me this 6	day of NOJO mbe R 2003, by KENNETH MARK
SMITH.	0 0 04
My Commission Expires 5-7-2006	Notary Public, State of New Mercico
	Printed Name LAURA ANN AULEN
· · · · · · · · · · · · · · · · · · ·	TO TON
	INDIVIDUAL ACKNOWLEDGMENT (New Meliko Stort Ports)
STATE OF NEW MEXICO	
The foregoing instrument was acknowledged before me this b+ L	day of November 2003, by PATSY LOU
SMITH.	φ 1 Ω 1.
My Commission Expires 5-7-2016	workey Public, State of New Woodoo
	Printed Name LAURA ANNALLEN
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RECEPTION NO: 0314596 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 11/24/2003 10:35 AM EOOK 0531 PAGE 0472



Producer's 88-(Producer's Re-ited 1994) New Mexico at 342P, Paid-up

OIL & GAS LEASE

THIS AGREEMENT made this 2" day of October, 2003, between WILLIAM C. SMITH A/K/A WILLIAM CREED SMITH, AND WIFE, NANCY SMITH, of P.O. Box 727, Lovington, NM 88260, herein called "Lessor (whether one or more) and T. VERNE DWYER, 500 West Wall, Soite 310, Midlaed, Teass 79701, "Less

teration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royal the Lessee herein contained, hereby grants, lesses and lest exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strats 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 EDDY COUNTY, NEW MEXICO, to-wit:

TOWNSHIP 22 SOUTH, RANGE 30 EAST

SECTION 24: SW/4 NW/4

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

- Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from this date (called "primary term") and as long thereafter as oil seed from said land or from land with which said land is pooled.
- 3. The moyalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbous saved at the well, 3/16° of that produced and saved from said land, sanse 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 cashighead gas or other gaseous substance 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 3/16° of the gas used, provided that on gas sold on or off the premises, the royaltics shall be 3/16° of the amount realized from such sale; (c) and at any time when this lesse is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewish, but gas or coodensate 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 anomal increvals, Lessee may pay or tender an advance shut-in royalty equal to 51.00 per one acre of Lessor's gas acreage then held under this lesse by the party making much payment or tenders, and so long as said shut-in royalty is paid or tendered, this lesse shall not terminate und it shall be considered under all clauses hereof that gas is being produced from the lossed 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 emitted to receive the toyalties which would be paid under this lesse in the losse of from the lossed premises in paying quantities. Each such payment at shall be paid or tendered to the party or parties who at the time of such payment would be emitted to receive the toyalties which would be paid under this lesses in the losse of from the losse of shall or produced from the losse of shall or paying which is made in a bonn fild attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be suffic The royalties to be paid by Lessee are: (a) on oil, and other liquid hydro carbous saved at the well, 3/16th of that produced and saved from said land, same to be deliver Lessee compresses, treats, purifies, or dehydrates such gas (whether such price a reasonable charge for each of such functions performed
- 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 term 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 hereunder in order to main
- 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, mineral cetatics or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by have or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is instanced, plus a tolerance to ten percent. Lessee shall file writen unit designations in the county in which the premises are to easy other lawful authority for the pool or area in which said land is instanced, plus a tolerance to ten percent. Lessee shall file writen unit designated from the tolerance of after the completion of wells. Drilling operations on a production from any pent of any such unit shall be considered for all purposes, except the poyment of royalty, as operations conducted upon or production from the land described in this lesse. There shall be allocated to the land covered by this lesse included in any portion of the tolerance pooled minerals from wells in the unit, after deducting any used in lessee or unit operations, which the not oil or gas acreage in the land covered by this lesse 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, so be the entire production of pooled minerals from the portion of said and covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lesses. Any pooled unit designated by Lessee, they provided herein, may be dissolved by Lessee by recording an appropriate instrument in the courty where the land is situated at any time after the completion of a dry hole or the cossession of production on said land.
- 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 lesse shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operation 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 tand. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lesse, that is ease commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder rusult in production, then this lesse shall remain is full force so long thereafter as oil or gas is produced hereunder.
- Lesses shall have free use of oil, gas and water from said land, except water from Lesson's wells and tanks, for all operations bereunder, 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 lesses to remove all property and finances placed by Lesses on said land, including the right to draw and remove all casing. When required by Lesser, Lessee will bury all pipelines on cultivasted lands below ordinary plow depth, and no well shall be drilted within two hundred feet (200 ft.) of any residence or bern now on said land without Lessor's consent. Lessor stall 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 n, out of any surplus gas not needed for operations h
- The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, admit 8. The rights of either party hereunder may be assigned in whole or in part and the provisions bereaf shall extend to their hairs, executors, administrators, successors and assignes that no change in the ownership of the land or in the ownership of, or rights to receive, royalhies or shur-in royalties, however accomplished shall operate to entarge 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 owners, Lessee may, at its option, pay or tender any royalties or shall not in the name of the decreased or to his estate or to his lest, exceed 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 lessee in whole or in part shell, to the extent of such assignment, relieve and discharge Lessee of any obligations beraunder and, if Lessee or assignment of part or parts hereof shall fail or make default in the payment of the proportionale part of royalty or shut-in royalty due from such Lessee or assignment of this lesses, such default shall not affect this lesse insofar as it covers a part of said lands upon which Lessee or any assignment find the payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lesse, 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 majoure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while to prevented, Lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lesse 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 no prevented shall not be counted against Lessee, anything in this lesse to the contrary norwithstanding. counted against Lessoe, anything in this lease to the contrary notwit
- 10. Lessar hereby warrams and agrees to defend title to said land and agrees that lessee at its option may discharge may 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 supply royables and above in royables payable because toward setisfying same. Without isopairment of Lessee's rights under the warranty, if this lesse covers a less interest in the oil or gas to all or any part of said land than the entire and undivided fee simple estate (whether Lessoe's interest is herein specified or not) then the royables, shut-in royably, and other payments, if any, accruing from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors full to execute this lesse, 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 lesse, 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 Lessoe shall be releved from all obligation expressed or implied, of this agreement as to acreage so surrendered, and thereafter the slut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby reduced by said release or releases.

WILLIAM C SMITH

Mancy Smith

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INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO		
COUNTY OF IFA	•	
The foregoing instrument was acknowledged before me this 14th	day of OCTOBER	2003, by WILLIAM (
My Compilition Expire DECEMBER 11, 2005	Notary Public, State of New Mexico Printed Name TYPEA YOUR	Jana
Constitution of the second of		
	INDIVIDUAL ACKNOWLEDG!	MENT (New Mexico Sbort Form)
STATE OF NEW MEXICO COUNTY OF		
The foregoing instrument was acknowledged before me this 14th	day ofOCTOBER	, 2003, by NANCY SMITTL
My Complete Service DECEMBER 11m 2005	Notary Fublic, Studen New Meetico	und

RECEPTION NO: 0314330 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 11/17/2003 10:11 AM BOOK 0530 PAGE 0726 A. Microsty JEAN BLENDEN, COUNTY CLERK

