

LANCE OIL & GAS COMPANY, INC.  
OIL & GAS LEASE  
SYNERGY OPERATING, LLC.  
MINERAL OWNER

Dolores A. Beardsley sold her minerals to Synergy Operating, LLC July 15, 2005, Lance Oil & Gas Company, Inc. has a valid Oil & Gas Lease on these minerals from previous owner, John Horn. See Attached.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13537 Exhibit No. 12  
Submitted by:  
LANCE OIL & GAS CO., INC.  
Hearing Date: August 25, 2005

WARRANTY DEED

JOHN R. HORN, a single man  
for consideration paid, grants to DOLORES A. BEARDSLEY, a single  
woman  
whose address is 617 Poplar  
Farmington, NM 87401  
The following described real estate in San Juan County, New  
Mexico:

Lot Twelve (12) of the LARKSPUR SUBDIVISION, in the City of  
Farmington, San Juan County, New Mexico, according to the Plat  
thereof filed for record in the Office of the San Juan County  
Clerk on April 16, 1981.

Subject to restrictions, reservations and easements of record or  
in place.  
with warranty covenants.

WITNESS my hand and seal this 27<sup>th</sup> day of February, 2004

John R. Horn (Seal) \_\_\_\_\_ (Seal)  
John R. Horn

\_\_\_\_\_ (Seal) \_\_\_\_\_ (Seal)

ACKNOWLEDGMENT

STATE OF New Mexico  
COUNTY OF San Juan  
This instrument was acknowledged before me on February 27, 2004  
by John R. Horn, a single man  
My commission expires: 03/18/06

(Seal)

[Signature]  
Notary Public



200403609 03/02/2004 08:18A  
1of1 B1383 P4 R 9.00 D 0.00  
San Juan County, NM Clerk FRAN HANHARDT



**MINERAL DEED**

THIS MINERAL DEED is made effective JULY 15, 2005 by and between DOLORES A. BEARDSLEY, whose mailing address is 617 Poplar Farmington, New Mexico 87401, hereinafter called "ASSIGNOR" and Synergy Operating, LLC. hereinafter referred to as "ASSIGNEES", whose mailing address is P.O. Box 5513, Farmington. New Mexico 87499. Sometimes both Assignor and Assignees will be referred to as "the parties".

WITNESSETH:

WHEREAS, ASSIGNOR owns an interest in and to certain minerals referred to as "ASSIGNED MINERALS", in the following lands: Lot Twelve (12) of the Larkspur Subdivision, in the City of Farmington, San Juan County, New Mexico according to the Plat thereof filed for record in the Office of the San Juan County Clerk on April 16, 1981, Book 1383, Page 4, being 617 Poplar Street Farmington, New Mexico located in the NW/4 NW/4 of section 22 Township 29 North, Range 13 West.

WHEREAS, ASSIGNOR agrees to sell all its right, title and interest in and to the ASSIGNED MINERALS and associated lands to ASSIGNEE".

NOW THEREFORE, in consideration of ten dollars and other good and valuable consideration the receipt of which is hereby acknowledged, ASSIGNOR does hereby transfer and assign unto ASSIGNEES all of ASSIGNOR'S right, title and interest in the ASSIGNED MINERALS and associated lands.

ASSIGNOR hereby agree to execute any additional paperwork that may be required, in the future, to effectuate the transfer of the interests covered by this Agreement.

ASSIGNOR hereby agrees to warrant and defend the title to said land as to ASSIGNEES' interest therein.

IN WITNESS WHEREOF, the parties hereto have executed this MINERAL DEED, effective the day first above written.

ASSIGNOR:

BY: Dolores A. Beardsley  
Dolores A. Beardsley,  
a single woman

*Synergy  
owns  
minerals*

**ACKNOWLEDGMENT**

STATE OF NEW MEXICO )  
                                  §  
COUNTY OF SAN JUAN )

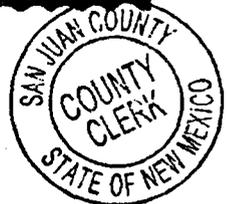
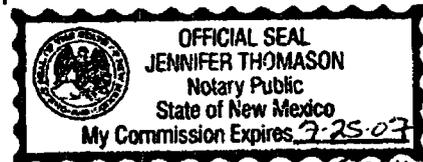
The foregoing instrument was acknowledged before me this 13th day of July, 2005 by Dolores A. Beardsley, to me known to be the person described in and who executed the foregoing Deed, and acknowledged that he executed same as her free act and deed.

My commission expires: July 25, 2007

Jennifer Thomason  
Notary Public

END OF ACKNOWLEDGMENT

PAGE 1 OF 1



200512488 07/14/2005 11:53A  
1of1 B1413 P584 R 9.00 D 0.00  
San Juan County, NM Clerk FRAN HANHARDT *B*

# OIL AND GAS LEASE

AGREEMENT, Made and entered into the 22nd day of February, 2002, by and between

John R. Horn, a single man

Whose post office address is 617 Poplar Street, Farmington, New Mexico 87401 hereinafter called Lessor (whether one or more) and

Richardson Production Company whose post office address is 1700 Lincoln, Suite 1708, Denver, CO 80203, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10 & more) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing there from oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan State of New Mexico, described as follows, to-wit:

**Township 29 North, Range 13 West, N.M.P.M.**

Section 22: A tract of land in the Northwest Quarter of the Northwest Quarter (NW/4NW/4) of said Section 22, described as follows:  
Lot Twelve (12) of the Larkspur Subdivision in the City of Farmington, as shown on the Plat of said Subdivision, filed for record in the Office of the County Clerk of San Juan County, New Mexico on April 16, 1981.

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease.

and containing .2038 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete chain of record title from Lessor, then and only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

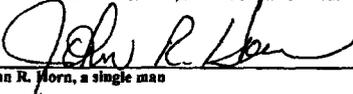
12. Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only in the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to utilize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease, shall mean any one or more of all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

  
John R. Horn, a single man



200209784 06/06/2002 01:39P  
1of2 B1343 P642 R 7.00 D 3.00  
San Juan County, NM Clerk FRAN HANHARDT, Seal

STATE OF New Mexico }  
COUNTY OF San Juan }ss

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 7<sup>th</sup> day of March, 2002, personally appeared John Horn and to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and year last above written.

Dorothy Berry  
Address: Farmington, NM

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ }ss

Acknowledgment - Partnership/Trust

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 2002, personally appeared \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and year last above written.

My Commission Expires: \_\_\_\_\_  
Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ }ss

Acknowledgment - Corporation

BEFORE ME, the undersigned authority, this day personally appeared \_\_\_\_\_ to me personally known who being by me duly sworn did say that he is the \_\_\_\_\_ of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors who acknowledge said instrument to be the free act and deed of said corporation.

Sworn to and subscribed before me, this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

My Commission Expires: \_\_\_\_\_

200209784 06/06/2002 01:39P  
2of2 B1343 P642 R 7.00 D 3.00  
San Juan County, NM Clerk FRAN HANHARDT

a/