OIL & GAS LEASE

THIS AGREEMENT made this 20th day of October, 2003, between GEONGIA L. BERGSTEN A/K/A GEORGIA LOU LONDON BERGSTEN and THIS AUREEMENT Hasse uses and see Continuent and the Continuent of 2003 fees Drive, N.E., Albuquerque, NM 67416, herein called "Losse (whether one or mure) and T. VERNE DWYER, 500 West Wall, Salit 316, Midland, Texas 79701, "Lessee": 6135 fees Gazer Atomic v. W. Afbusing rate NA 27: 3

Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royalios herein provided and of the agree 1. Lessor, in construction of term AND Of new ADDLAND in many past, execution of which is accordingly, and to the transfer news in the Lessee herein contained, hereby grants, lesses and lets exclusively into Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and as into subsurface arisis laying pipelines, aroring 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-wir:

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 shood from said land or from land with which said land is pooled. ed, this lease shall remain in force for a torm of three (3) years from this date (called "primary term") and as long thereafter as of
- es to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delive 3. The projection to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons seved at the well, 3/15° of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessee in the pipetime to which the wells may be connected; (b) on gas, including examples as or other gaseous substance produced from said land, same to be delivered 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 royaline shall be 3/16° of the amount restized from such sale; (c) and at any time when this lease is not validated by other provisions bureof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensates is not bring as so told or used and such well is shall in shall be such as a secant to the provisions therefore, and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensates is not bring as so told or used and such well is shall in shall as the said and so the said or condensates well on said well is shall in and thereafter at annual intervals, Lessee may pay or tender an advance shall so troyalty equal to \$1.00 per near care of Lessor's gas a creage than held under this lease thy the party making such payment or render, and so long, as an advances that in organization and so long as a said shall-in royalty is paid or rendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment or tender of royalties or shall-in royalty the shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which is made in a bound this lease in the same manner as though a proper payment, but which is sent or or payment as the same manner as though a proper payment, but which is enter or or or or of the payment or tender of payment had been made if Lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled in receive payment together with such written instruments for certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales commeted sentered into ingo of faith by Lessee and gas purchaser for such terms and under such conditions as are contourney in the industry. "Price" shall mean the remount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such courset or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the lessed premises) or transports gas off the lessed premises, Lessee in computing royally berunder may deduct from such price a reasonable clumps for each of such functions performed.
- 4. This is a paid-up lesse and Lesses shall not be obligated during the primary term hereof to commence or continue any operations of whatnower character or to make any corder to maintain this lease to force during the primary term; however, this provision is not intended to relieve Lesses of the obligation to pay royalties on actual production pr berounder in order to maintain this less the provisions or paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to tisse, 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 bereunder shall not exceed the standard promition unit fixed by law or by the Oil Comservation Division of the Energy and Minerals Department of the Source of New Mexicon to be purposed to that invited sushority for the pool or area in which as add land is almosted, that a tolerance to two purposes. Lesses shall fills written make designations in the country to which the premises are located and such units may be designated from inter to time and claimber before or after the completion of wells. Drilling operations on or production from one may part of any such units shall be considered for all purposes, caccept the payment of royally, 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 units that production of production of production in the unit. The production as allocated the unit bears to the total number of surface sores in the unit. The production shall be considered for all purposes, including the payment or delivery of royally, to be the carity production of pooled minerals from the product bear to unit operation of all purposes including the payment or delivery of royally, to be the carity production of pooled minerals from the product of the allocated of the unit bears to the total number of surface sores in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royally, to be the carity production of pooled minerals from the profuse of the unit and the covered hereby and including the payment or delivery of royally, to be the carity production of pooled minerals from the production of the delivery of royally, to be the carity production of pooled minerals from the profused thereis, m
- 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 consumed operations for drilling or reworking thereon, this lesse shall remain in force so long as operations are prosecuted with no casuation 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 and should become incapable of producing for any cause, this lesses shall not terminate if Lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations becaused in production, then this lesses shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Leasee shall have free use of oil, gas and water from said land, except water from Leaser's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Leasee shall have the right or any time during or after the expiration of this lease to remove all property and fixtures placed by Leasee to said land, including the right to draw and remove all casting. When required by Leasee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two bandred fact (200 ft.) of any residence or been now on said land without Leason's consent. Leason shall have the privilege, at his risk and expense, of using gas from any gas well on said land für stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations bereunder.
- 8. The rights of cither party hersunder may be assigned in whole or is part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assignar, but no change in the ownership of the land or in the ownership of, or rights to receive, royahise or shar-in royahises, however accomplished shall operate to ealarge 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 efter Lessee has been furnished by contribed shall operate to ealarge the cleant of fits or of the shall be binding upon lessee for any purpose until 30 days efter Lessee has been furnished by course through the death of fits owner, Lessee may, at its option, pey or tender any royahis or shar-in royahise in the name of the doceased or to his setted or to his heim, 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 easignment of this lesse in whole or in part hall, to the extent of such assignment repairs the country of the provisions of the provisions of this lesse, such default and not affect this lesse insofar as it covers a part of said lands upon which Lessee or any easignse thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied coverant of this lesse, or from conducting drilling or reworking operations bereunder, or producing oil or gas hereunder by reason of scarcity or inability to obtain or one equipment or material, or by uperation of force majoure, or by any Federal or state haw or may order, religious of governmental authority, then while so prevented, Lessee's duty shall be suspended, and lessee shall not be highly for failure to comply therewish; and this lease shall be extended to and so long as Lessee in 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 no counted against Lessee, anything in this lesse to the contrary notwithstending.
- 10. Lessor hereby warrants and agrees to defend title to axid land and agrees that lessoe as its option may discharge any tan, mortgage or other lies upon said land, and is the event Lessoe does so it shall be subrogated to such lies with the right to enforce astne and to apply royalties and shut—in royalties payable hersunder toward satisfying same. Without impairment of Lessoe'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 mains and undivided fire simple estate (whether Lessoe's interest is hereto specified or not) then the royalties, whi—in royalty, and other payments, if any, accruing from any part as to which this lesse covers less than such full interest, thail be paid only in the proportion which the interest therein, if any, covered by this lesse, bears to the whole and undivided fire simple estate therein. Should any one or more of the parties amend above as Lessors field to exceute this lesse, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lesses, its or his successors, heirs and essigns, shall have the right at any time to autrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said lend is situated; thereupon Lesses thath be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shur-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby to reduced by said release or rel

	OIL & GAS INVESTMENTS
	500 w wall ste 310
Morari & Buston	MIDLAND TX 79701
GEORGIA L BERGSTEN ANNA GEORGIA LOU LONDON	
BERGSTEN DEALING IN HER SOLE AND SEPARATE	1.4
PROPERTY	PRINTED NAME: GEORGIA L. BERGSTON

L. BERCSTON PRINTED NAME: WEOR GIA

T VERNE DWYER

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico

Case Nos. 13368/13372 Exhibit No. 3 Submitted by:

Devon Energy Production Company, L.P. Hearing Date: June 5, 2006

58 #:

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form).

STATE OF NEW MEXICO	
COUNTY OF Beshalillo	
The foregoing instrument was acknowledged before me this	ay of Dovember 2003, by GEORGIA
My Commission Express A LLOT J. 3007	Notary Public, State of New Mendion Printed Name A D D D D D D D D D D D D D D D D D D
PUBLIC OF NEXT	INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)
STATE OF NEW MEXICO	
The foregoing instrument was acknowledged before me thin	day of
My Commission Expires	Notary Public, State of New Mexico
	Prised Name

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



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, havin called "Leggo" (whether one or more) and 7, VERNE DWYER, 500 West Wall, Salte J14, Midland, Texas 7970), "Leggo", "

OIL & GAS LEASE

1. Lessor, in consideration of TEN AND OTHER DOLLARS in head paid, receipt of which is hereby acknowledged, and of the reyelties berein provided and of the agreements of the Lessee herein contained, hereby grants, lesses and less exchaively mite 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 substrace sures laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, neve talk care of, trent, process, store and transport taid minerals, the following described lessel in EDDY COUNTY, NEW MEXICO, to-wis:

TOWNSHIP 22 SOUTH, RANGE 30 EAST

SECTION 24: SW/4 NW/4

Said land is estimated to comprise 40.00 scree, 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 data (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 royalries to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16° of that produced and saved from said land, assee to be delivered at the wells or to the medic of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gascous substance produced from said land and used off the premises or used in the manufacture of gascoles 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 troyalties 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 less pooled therewish, but gas or condensate is not being so sold or used and such well is shart-in, either before or after production therefore, then on or before 90 days after said well is shart in, and thereafter a named intervals, Lessee may pay or rende an advance shart-in royalty equal to \$1.00 per not soon or \$1.50 per not see or \$1.50 per not see as a sea and/or condensate well on said thereof intervals, Lessee may pay or rende an advance shart-in royalty equal to \$1.00 per not see or \$1.50 per not see as a sea and the said to the said be paid or tendered, this lesse shall not terminate and is that the considered under all clauses hereof the gas is being produced from the lessed promises in paying quantities. Each such payment with the rendered in the part or tendered to the party or parties who at the time of such payment would be emitted to receive the royality which is made in a boas fide attempt to make proper payments, but which is ermosous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent sermination of this lesse in the same manner as though a proper payment, but which is ermosous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent sermination of this lesse in the same manner as tho
- 4. This is a paid-up lease and Lessee shall not be obligated during the primary term horself to commence or continue any operations of whatever character or to make any payments becounter in order to maintain this lease in force during the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay royalities on actual production persuand to the provisions or paragraph 3 hereof.
- 3. Leases 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 hereunder shell not exceed the standard promition unit flaud by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Netscient or by any other lawful authority for the pool or area in which said hand is situated, plas a tulerance to ten prevent. Lease shall file written and designations in the country in which the preventasts are located and such units may be designated from the before or after the completion of wells. Diffing operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease under the 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 on allocated shall be considered for all purposes, included the payments or delivery of royalty, to be the entire production of pooled minerals from the portion of said lead covered hereby and included in said unit in the same manners are though producted from said lead under the terms of this lease. Any pooled unit designated by Leases, as provided herein, may be dissolved by Leases by secording an appropriate instrument in the county where the land is sinused at any time after the completion of a dry hole or the cassation 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 commanded operations for drilling or reworking thereon, this lesses shall remain in force so long as operations are protected with no cessation of more than 60 consecutive days, whether such operation be on the sense 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 hand. If, after the expirations of the primary term, as wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking which oil days thereafter. If may drilling, or reworking operations hereunder result is production, then this lesse shall remain in full force so long thereafter as oil or gas is produced hereander.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from Lesser's wells and tanks, fur all operations hereunder, and the royably 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 renove all property and limiters placed by Lessee on said land, including the right to down and remove all casting. When required by Lesser, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred fact (200 ft.) of any principal dwelling thereon, out of any surplus gas not merced for operations hereunder.
- 8. The rights of either party horsunder may be assigned in whole or in part and the provisions hereof shall extend to their beint, executure, administrators, successors and assigned, but no change in the ownership of the land or in the ownership of, or rights to receive, reyalties or shall-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shell be binding upon lessee for eary purpose until 30 days after Lessee has been flurnished by certified small at Lessee's principal place of business with acceptable insuraments 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, it is option, pay or trader any royalties or then-in-royalties is the name of the decreased or to bis sentine to it his later, a causant or administrator and flusch them as Lessee has been furnished with evidence satisfactory to lessee as to the parsons emitted to such surter. An essignment of this lessee in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee or assignee or fall to comply with any of the provisions of this lesse, such default in the payment of the proportionent part of royalty or thus-in royalty due from such Lessee or assignee or fall to comply with any of the provisions of this lesse, such default shall not affect this lesse insofer as it cuvers a part of said lends upon which Lessee or any assigness thereof shall properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations harvender, or from producing oil or got herounder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by may Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's druty 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 Lesses is prevented shall not be counsed against Lessee, anything in this lesse to the contrary potwithstanding.
- 10. Lessor hearby warrants and agrees to defend title to said land and agrees that lessee at its option may discharge any tax, managings or other lies upon said land, and in the event Lessee does so it shall be subrogated to such lies with the right to enforce same and to apply royalties and short-in royalties payable horeunder award settisfying same. Without impelment of Lessee's rights under the warranty, if this lesse covers a less interest in the old or gas in all or any part of said land than the entire and undivided for simple estate (whether Lessee's interest is herein specified or not) then the royalties, absolute royalty, and other payments, if any, accorded by this lesse, bears to the whole and undivided for simple estate therein. Should any one or more of the parties amused above as Lessors full to execuse this lesse, it shall nevertheless be binding upon the party or parties executing the same.
- Lesser, its or his successors, heirs and assigns, shall have the right at any time to surrender this leave, in whole or in part, to Lessor or his hebre, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of recurd in the county in which said land is situated; thereupon Lessee shall be relieved fluor all obligations, expressed or implied, of this agreement as to acrosse so surrendered, and thereafter the shut-is royalty payable hereunder shall be reduced in the proportion that the acrosse covered hereby is reduced by said release or releases.

THE WILLIAM JEFF GLENN AND LORA NELL SMITH GLENN RE	VOCABLE TRUST DATED FEBRUARY 13, 1993
William Jey Glena	BY: LORA NELL GLENN, TRUSTEE
Tas LD, No.	TVERRY DINGER SOUL WALL JE OF MIDDING TX

The foregoing instrument was acknowledged before me this	
	LIAM JEF
My Commission Limites 2-31-04 Delan Notice Note Mexico	
Printed Name Backers Boccia	
WELLS S	

RECEPTION NO: 0314331 STATE OF NEW MEXICG, COUNTY OF EDDY RECORDED 11/17/2003 10:13 AM BOOK 0530 PAGE 0728 & Moude JEAN BLENDEN, COUNTY CLERK



42P, Paid-up

OIL & GAS LEASE

THIS AGREEMENT made this 20° day of Occoberr, 2003, between KENNETH MARK SMITH A/K/A KENNETH M. SMITH, AND WIFE, PATSY LOU SMITH, of 267 Smith React Road, Hobbe, NM 88246, herein called "Lessor" (whether one or more) and T. VERNE DWYER, 500 West Wall, Suite 310, Midisad, Texas 79781 . "Lasses":

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royables herein provided and of the agreements of the Lessee herein contained, hereby grants, lesses 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 street laying pipelines, storing oil, building tasks, roadways, telephone lines, and other structures and things thement to produce, save take care of, treat, process, store and transport said stinerals, 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 48.00 scres, whether it actually comprises more or loss.

- Subject to the other provisions herein contained, this lease shall remain in force for a term of there (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 hydrocarbous saved at the well, 3/16° of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on pas, including catasingheed gas or orther passeous substance produced from said land, same to be delivered at the wells of the premises or used in the manufacture of gasotine or other products, the marks value as the well of 3/16° of the gas used, provided that on gas sold on or off the premises, the troyalties 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 between fard there is a gas and/or condensate well on said land, or hand produced therewith, but gas or condensates is not being so sold or used and such well is shall-in, either before or after production therefrom, then on or before 90 days after said well is shall and sumual interview, Lessee may pay or tender an advance shall-in royalty oqual to 51.00 per net sore of Lessor's gas acreage then held under this lesse by the party making such payment or tender, and so long as said shall-in royalty is paid or innedered, this lessee shall not retriviate and it shall be considered under all clauses hereof that gas is being produced from the lesseed premises in paying quantities. Each such payment that be not be party or prairies who at the time of such payer would be entitled to receive the royalties and industry which is made in a boas file ancespe to make proper payment, but which is errouceous in whole or in part as to parties or smounts, shall seventheless be sufficient to provent exemination of this lesse in the same remanner at though a proper payment had been made if Lessee shall convect such error within 30 days after seasee has received written notice thereof by certified mail from the party or parties suited to receive payment together with such written instruments (our entitled copies thereof) as are ac
- 4. This is a paid-up lease and Lesset shall not be obligated during the primary tenu hereof to commence or continue any operations of whenever 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 Lesses of the obligation to pay royalties on acrual production pursuant to the provisions or paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or borizon thereof with any other land, mineral causes or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard provation 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 premises are located and such units may be designated from time to ince and either before or star the completion of wells. Drilling operations on production from any part of any such unit shall be considered for all purposes, except the payment of property, as operations; conducted upon or production from the land described in fall leases. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the text, 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 hears to the total number of surface acres is the unit. The production so allocated shall the same transment in the number of surface acres is the unit. The production so allocated shall the parts that the property of a paylary, to be the sense production of pooled minerals from the portion of said and covered hereby and included in add with site acres. Any pouled unit dusignment by Leuwe, as provided he els, may be dissolved by Leuwes 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 obsertion 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 lesse 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 and should become incapable of producing for any cause, this leases that no terminant of Lesses commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder rosult in production, then this lesse shall remain in full force to long thereafter as oil or gas is produced hereunder.
- 7. Leaser shall have free use of oil, gas and water from said land, except water from Leaser's wells and tracks, for all operations betweender, and the royalty shall be computed effort deducting any so used. Leaser shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Leases on said land, including the right to draw and remove all easing. When required by Leaser later later later later and remove all easing. When required by Leaser later l
- 3. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their beirs, assoutors, administrators, successors and assigned, but no change in the ownership of the land or in the ownership of, or rights to receive, royaliles or shad-in royalites, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee: and no such change or division shall be binding upon issues for any purpose until 30 days after Lessee has been furnished by certified one all at Lessee's principal piece 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 royalries or that-in royalries in the name of the deceased or to his estate or to be beint, 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 lesse in whole or in part shall, to the extent of such assignment, relieve said 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 plant-in royalty due from such Lessee or assignee or fail to comptly 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 properly comply or make such payments.
- 9. Should Lessee be prevented from complying with any express or implied coverant of this lesse, or from conducting drilling or reworking operations berusader, or from producing oil or gas bereander by reason of sourcity or instality to obtain or use equipment or marerial, or by operation of force majours, or by any Federal or uses law or any order, rules or regulation of governmental authority, then while so prevented, Lessee's dury shall be auspended, and issues shall not be liable for failure to comply therewith; and this lesses shall be extended while and so long as Lesses is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas bereander, and the time while Lessee is no prevented shall not be cruented against Lessee, anything in this lesse to the conversy notwithstanding.
- 10. Lessor hereby warrants and agrees to defend title to said land and agrees that lesses at its option may discharge any tax, mortgage or other lieu upon said land, and is the event Lessoe does so it shall be subrogated to such lies with the right to enforce same and to apply royables and shut-is royables psyable becaused roward satisfying same. Without impairment of Lessoe's rights under the warranty, if this lesse covers a loss inserest in the oil or gas in 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 royable, and other payments, if any, scorning from any part as to which this lesse covers less than such full inserent, shall be paid only in the proportion which the interest therein, if any, covered by this lesses, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lesson, its or his successors, beirs 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 is which said lead is situated; thereupon Lesson shall be releaved from all obligations, reduced or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty psyable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

KENNETH MARK SMITH

Social Security No.:

PATEN LOW Smith

TVENC DWYLT SOOWWAIL STE 310 Midland TX 79701

Social Security No.:

The foregoing instrument was acknowledged before me this	day of November 2003, by KENNETH MARK Land Meridia Printed Name Laura Ann Allen
	INDIVIDUAL ACKNOWLEDGMENT (New Meaks Short Form)
The foregoing instrument was acknowledged before me this 6+6 SMITH. My Commission Expires 5-7-2066	day of Navember 2003, by PATSY LOU Land Delember 2004, by PATSY LOU Land
RECEPTION NO: 0314596 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 11/24/2003 10:35 AM BOOK 0531 PAGE 0472	

OIL & GAS LEASE

THIS AGREEMENT made this 2nd 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, berein called "Lessor" (whether one or more) and T. VERNE DWYER, 500 West Wall, Soite 310, Midhand, Texas 79701, "Lessor":

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, accept of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessor herein contained, hereby grants, lessor and lets exclusively unto Lessor for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gran, 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 takes care of, treat, process, store and transport said minorals, 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 nerss, whether it actually comprises more or less.

- 2. Subject to the other provisions bert in consisted, this lesse shall remain in force for a tuno of three (3) years from this date (called "prunary 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 Lesses inv: (a) on oil, and other liquid hydrocarbous 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 Lesser in the pipeline to which the wells may be consected. (b) on gas, including easingheed 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 wake at the well of 3/16th of the gas used, provided that on gas sold on or off the premises, the troyalties shall be 3/16th of the gas used, provided that on gas sold on or off the premises, the troyalties shall be 3/16th of the gas used, provided that on gas sold on or off the premises, the troyalties shall be 3/16th of the gas used, provided that on gas sold on or off the premises, the troyalties are used on a said tract, or that on post deliverance that is not a said shall be considered through the lesses the produced from the lesses of personal payor tender an advance that—in royalty payal to \$1.00 per one acre of Lessor's gas servage thes held under this lesses by the party making such payment or tender of shall be paid on tendered, this lesses shall be the lesses thereof that gas is being produced from the lessed premises in paying quantities. Each such payment shall be paid on tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lesse if the well were in related on the paid on tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lesse in the same of the well were in make proper payment, the payment or tender of shall be royalties which would be paid under this lesse in the same make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall according to the parties of the well were in make proper payment, but which is erroneous in whole or in part as
- 4. This is a paid-up lease and Leaser shall not be obligated during the primary term hereof to commence or continue any operations of whateover 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 Losses of the obligation to pay royalties on actual production pursuant to the provisions or paragraph 3 hereof.
- 3. Lessee is hereby grazed the right and power, from time to time, to pool or combine this lesse, the land covered by it or say part or horizon thereof with any other hand, mineral entraces or parts thereof for the production of oil or gas. Units pooled hereunder shell not exceed the Handard proteins unit fixed by leve or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other levelal authority for the pool or area in which and lend is sineated, pins a tolerance to ten percent. Lessee shall file version unit designations in the country is which the premises are located and such units may be designated from their 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 mystry, 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 such unit that portions of the total number of pooled minerals from wells in the unit, after deducting any used in lesses or unit operations, which the not oil or gas acreage in the land covered by this lesses included in the unit bears to the total number of surface series in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of troyalty, to be the entire production of pooled minerals from the portion of said lend covered bereity and included in said unit is the same manner. as shough produced from said lend under the terms of this lesses. Any pooled and designated by Lessee, ap provided hereits, may be dissolved by Lesses 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 orestation of production on said unit.
- 6. If at the expiration of the prissary 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 is 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 and should become incapable of producing for way cases, this lesses that the sases commission operations to additional drilling or the reworking within 50 days thereafter. If any drilling, and 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.
- 7. Leases shall have free use of oil, gas and water from said land, except water from Leaser's wells and tranks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lesses shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lesses on said land, including the right to draw and remove aft casting. When required by Lesses, Lesses will bury all pipelines on cubivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or beam now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and express, of using gas from any gas well on said land for stoves and incide lights in the principal dwelling thereon, out of any surphus gas not oncloded for operations hereunder.
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall emend to their bairs, executors, administrators, auscessors and assigner, but no change in the ownership of the land or in the ownership of, or rights to receive, royalises or shut-in royalities, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee: and so such change or division shall be binding upon lesses for any purpose until 30 days after Lessee has been furnished by certified small at Lessee's principal place of business with acceptable instruments or certified copies thereof constricting the chain of title from the original lessee. If any such change in ownership occurs through the dests of the cowner, Lessee may, at its option, pay or tender any royalises or shut-in royalines in the nasts of the decreased or to his tense or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to lessee as to the persons existed to such sums. An assignment of this lesse, in whole or in part shell, to the extent of such assignment, retieve and discharge Lessee or such interests the provisions 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 payseets.
- 9. Should Lesses be prevented from complying with any express or implied covenant of this lesse, or from conducting drilling or reworking operations betweeter, or from conducting drilling or reworking operations betweeter, or from conducting drilling or reworking operations betweeter, or from conducting drilling or reworking operations of force majoure, or by any Federal or state law or any order, rate or regulation of governmental authority, then white to prevented, Lesses's duty shall be expended, and lesses thall not be liable for failure to comply therewish; and this lesses shall be extended white and so long as a Lesses is prevented by any such cause from conducting or filling or reworking operations or from producing oil or gas hereunder; and the time while Lesses is no prevented shall not be counted against Lesses, surpting in this lesse to the contrary norwithstanding.
- 10. Lessor hereby werrants and agrees to defend title to said land anyons that lesser at its option may discharge any too, mortgage or other lies upon said land, and to the event Lesser does no it shall be subrogated to such lies with the right to enforce uses and to supply royalities and shar-in royalties payable he conden soward satisfying same. Without inquirment of Lesser? I rights under the warranty, if this lesse covers a less inseres in the old or gas in all or any part of said had that the entire and undivided far simple estate (whether Lessor's interest in herein specified on not them the royalty, and other payments, if any, accroining from any part as to which this lesser 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 far 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. Lesser, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, is 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 is which said land is situated; thereupon Lessoe shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thersufter the strat-in royalty payable hereunder shall be reclased in the proportion that the acreage covered hereby is reduced by said release or released.

WILLIAM C. SMITH

Social Security No.:

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MANCY SMITH

Social Security I

STATE OF NEW MEXICO COUNTY OF	dey of OCTOBER Notary Public, State of New Mexico	2003, by WILLIAM C
PUBLIC CO	Priored Name MYRA YOLK	IT (New Mexico Short Form)
STATE OF NEW MEXICO COUNTY OF LEA		
The foregoing instrument was acknowledged before me this 14th	day of OCTOBER	, 2003, by NANCY SMITTE
My Commission Empires DECEMBER 11m 2005 NOTARY OF NEW	Noticey Public, State of New Meptics Prinsed Name MYTTA YOUNG	ng

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

