



# STATE LAND OFFICE

## MEMORANDUM

June 3, 1975

**TO:** New Mexico Oil Conservation Commission

**FROM:** Mr. Ray D. Graham, Oil and Gas Division

**SUBJECT:** STATE OF NEW MEXICO OIL AND GAS LEASE NO. OG-2426, W $\frac{1}{2}$ SE $\frac{1}{4}$ , Section 15, T-21S, R-27E.....

The 1-J and 3-0 wells are located on subject lease and have not produced in over ten (10) years.

The record lease owner is Exxon with Everett D. Burgett as operator. The lease name is "Pure State".

You may want to look into this situation and have these two wells plugged.

Ray D. Graham, Director  
Oil and Gas Division

RDG:cw

cc: Lease File No. OG-2426  
Environmental File  
Memo. File

**FIREMAN'S FUND**  
**AMERICAN INSURANCE COMPANIES**

DENVER BRANCH OFFICE  
1385 SOUTH COLORADO BOULEVARD  
DENVER, COLORADO 80222  
TELEPHONE (303) 758-4000

**GEORGE D. ROBIE**  
RESIDENT VICE PRESIDENT

April 14, 1975

William F. Carr  
Oil Conservation Commission  
State of New Mexico  
P.O. Box 2088  
Sante Fe, New Mexico 87501

FILE NO.: H 106 S 7613      BOND NO.: 604 81 66  
PLUGGING MYERS UNION WELL #1 AND RICHARDSON BAY STATE WELL #1

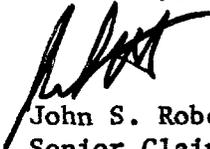
Dear Mr. Carr;

On February 19, 1975, we forwarded to you a copy of my letter of January 23, with a postscript handwritten by our principal, Mr. Burgett.

In that handwritten note, it is indicated that the wells involved in the plug in 1962 but that the papers were not filed and that he was filing the forms in release with you people.

We have yet to receive the forms or to receive any notice of the fact that the wells have been plugged. Does your file reflect any activity?

Sincerely,



John S. Roberts  
Senior Claim Supervisor

JSR:ka

cc: Mr. Plato - HO - Claims



**FIREMAN'S FUND**  
**AMERICAN INSURANCE COMPANIES**

DENVER BRANCH OFFICE  
1385 SOUTH COLORADO BOULEVARD  
DENVER, COLORADO 80222  
TELEPHONE (303) 758-4000

**GEORGE D. ROBIE**  
RESIDENT VICE PRESIDENT

February 21, 1975

William F. Carr  
Oil Conservation Comm.  
State of New Mexico  
P. O. Box 2088  
Santa Fe, N.M. 87501

OUR FILE #: H 106 S 7613 - BOND #: 604 8166 - EVERETT D. BURGETT,  
PIER STATE WELLS #'s 1, 2,3 AND 7

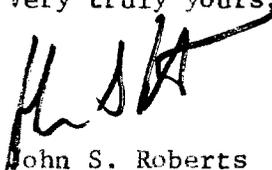
Dear Mr. Carr:

We finally got a communication from Mr. Burgett.

After all this time, he tells us that the wells have been plugged in 1962, the papers were not filed, and that he is filing the forms and releases with you and copies will be sent to us. He indicates that the well plugging was witnessed by New Mexico Oil Conservation Commission.

I have no reason to doubt the veracity of Mr. Burgett's allegations. Could you please dig into your records a little further and advise.

Very truly yours,

  
John S. Roberts  
Senior Claim Supervisor

JSR:db



OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

October 21, 1964

Fireman's Fund American Insurance Companies  
611 San Mateo Boulevard, S.E.  
Albuquerque, New Mexico

Attention: Mr. John H. Chester, Claims Representative

Re: Your File: F 106 S 7613  
Case No. 2793, Order No. R-2483  
Principal: Everett D. Burrett

Gentlemen:

With reference to your letter of October 16, 1964, please be advised that our Artesia District Office has informed us that although Mr. Burrett contends that he has plugged the Magnolia State Well No. 1 he has not filed a plugging report or other reports required by the Commission. As Mr. Burrett did not notify our Artesia District Office of the date and time plugging operations were to commence as required by Order No. R-2483, a Commission representative did not witness the plugging. We therefore cannot release our demand against your company until our Artesia District Office is satisfied that the well was in fact plugged and the required reports have been filed with the Commission.

As the Pure State Wells No. 1, 2, 3, and 7 have produced a small quantity of oil since the issuance of Order No. R-2483, we hereby release our plugging demand concerning these wells.

If the Commission docket another case concerning plugging the Pure State Wells, we will notify you of the hearing. We also will notify you if Mr. Burrett files the necessary forms concerning the Magnolia State Well No. 1 and we are able to release our plugging demand.

Very truly yours,

J. M. DURRETT, Jr.  
Special Assistant Attorney General

JMD/ear

cc: Oil Conservation Commission  
Drawer DD, Artesia, New Mexico

C  
O  
P  
Y



RECEIVED  
JAN 23 1975  
FIREMAN'S FUND  
SAN FRANCISCO

*Jan 23 1975*

January 23, 1975

Everett D. Burgett  
P. O. Box 167  
Cloudcroft, New Mexico

Our File No.: H 106 76 13      Bond No.: 604 81 66

Dear Mr. Burgett;

We carry your bond guaranteeing that you would plug Myers Union Well #1 and Richardson Bay State Well #1.

Despite numerous demands on our part and the Oil Conservation Commission, State of New Mexico, you have never done so.

We have gotten several bids for plugging that well. The lowest received to date is \$29,328.00.

The bond penalty under your bond is \$10,000.00.

Unless you make steps to take care of this matter immediately, within 10 days from receipt of this letter, we will pay the state of New Mexico our \$10,000.00 bond penalty and take all necessary steps to collect that \$10,000.00 from you.

I would suggest that your immediate compliance of the plugging order is warranted. In any event, I must hear from you immediately upon receipt of this letter.

Sincerely,

John S. Roberts  
Senior Claim Supervisor

cc: William F. Carr  
Oil Conservation Commission  
State of New Mexico  
P.O. Box 2088  
Santa Fe, New Mexico 87501  
cc: Mr. Plato/Home Office/F & S Claims

JSR/ka

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

*for review file*

January 21, 1975

C  
Mr. Dale Burgett  
P. O. Box 167  
Cloudcroft, New Mexico

Dear Mr. Burgett:

O  
P  
Y  
Pursuant to our conversation of this date, I am enclosing a copy of an application for hearing for salt water disposal. I do not have one for a hearing to rescind a plugging order but it should not be difficult to draft. All the information you should need for this can be found in the plugging order itself and I have therefore enclosed a copy of Order No. R-4616. All applications must be filed in triplicate.

My check of the official records in the State Land Office indicates that on June 16, 1961, you assigned the lease in question to Humble. The records show Humble as the record lessee and do not reflect any retention of shallow rights. Although the Commission does not determine any question concerning base ownership, it would take administrative notice of this situation. Prior to hearing any question raised by your applications it would, I'm sure, require that the question of ownership be cleared up.

Questions as to Mr. Rains' activity on the lease will have to be resolved between the two of you.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr  
encl.

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

STATE GEOLOGICAL  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MEMORANDUM

TO: NICK FRANKLIN  
LEGAL COUNSEL AND CHIEF LEGISLATIVE AIDE,  
THE OFFICE OF THE GOVERNOR

FROM: WILLIAM F. CARR  
GENERAL COUNSEL  
OIL CONSERVATION COMMISSION

SUBJECT: DALE BURGETT'S PURE STATE WELLS NOS. 1, 2, 3, and 7

Governor Apodaca may be contacted by Mr. Dale Burgett in the next few days concerning the Commission's plugging orders and subsequent action on the Pure State Wells Nos. 1, 2, 3 and 7. In 1963 he contacted Governor Campbell about similar action on the same wells. This resulted in an awkward situation which I hope we can avoid repeating.

In May, 1963, the Commission ordered these wells plugged and abandoned but pursuant to Burgett's request, allowed him 90 days to evaluate ten wells and attempt to put them on production. He took no action during the 90-day period. When the Oil Conservation Commission pursued its plugging order, Burgett went to Governor Campbell and told him that he was attempting to make these wells commercial producers but that the Oil Conservation Commission was forcing him to plug them. Campbell agreed to assist Burgett. Pursuant to his request, the Oil Conservation Commission suspended its order as it affected these wells.

Nothing was done to these wells until August of 1973 when the Commission advertised a hearing to plug them, and notified Burgett by certified mail. He made no appearance at the hearing and a plugging order was entered on August 23, 1973.

The Commission later learned that Burgett had assigned his lease to Exxon.

In November 1974, Mr. A. H. Rains contacted the Commission about these wells. He stated that he had a farm-out from Exxon and that he hoped to put them on production. Rains was

advised that he had to get a bond, get the plugging order rescinded and make arrangements to dispose of all produced waters. The wells produce about 98% salt water.

On January 19, 1975, Mr. Burgett contacted the Oil Conservation Commission's office in Artesia and reported that Mr. Rains had gone onto these leases and was pulling pipe from these wells. Burgett claims these wells belong to him and that Rains is a trespasser. Burgett wants the Commission to take action enjoining Rains and wants an action filed in district court against Rains for violations of various Oil Conservation Commission rules.

The Commission has advised Burgett that the records in the State Land Office show that Burgett assigned his interest in these wells to Exxon in 1961. There is no indication that he reserved any shallow rights. A valid question as to the ownership of these wells, therefore, appears to exist.

The Oil Conservation Commission has no jurisdiction over ownership questions and a determination of this question will control the other questions involved in this dispute. For this reason, the Oil Conservation Commission has declined to seek the injunction against Rains or file other court actions.

Mr. Burgett has been advised that any dispute he has with Mr. Rains as to the ownership of the lease or any equipment thereon is a matter which must be resolved between the two of them.

The Commission believes the wells have virtually no capability to produce oil or gas in commercial quantities. Furthermore, the state engineer's office has expressed concern that leaving the wells in their present condition is a potential threat to fresh water in the area.

When the ownership of these wells is established, the Commission believes they must be put on production and the previous plugging order rescinded after notice and hearing or they must be plugged and abandoned in a manner approved by the Commission.

January 23, 1975

dr/

Wells - Burgett Plugging - Eddy County

Everett D. Burgett ( to A. H. Rains 9/8/76 )  
15-21S-27  
Pure State #7-0 ( to Exxon State 9/8/76 )

Everett D. Burgett  
15-21S-27  
1,2,3,7, - 0

Everett D. Burgett  
15-21S-27  
Malco State #1-N

Everett D. Burgett ( to A. H. Rains 9/8/76 )  
15-21S-27  
Pure State #1-J ( to Exxon State 9/8/76 )

Everett D. Burgett ( to A. H. Rains 9/8/76 )  
15-21S-27  
Pure State #2-J ( to Exxon State 9/8/76 )

Everett D. Burgett  
15-21S-27  
Pure State #5-0

Everett D. Burgett  
15-21S-27  
Pure State #6-0

Everett D. Burgett  
15-21S-27  
Pure State #4-J

Everett D. Burgett ( to A. H. Rains 9/8/76 )  
15-21S-27  
Pure State #3-0 ( to Exxon State 9/8/76 )

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

February 12, 1975

C  
O  
P  
Y

Neil B. Watson, Esq.  
Attorney at Law  
P. O. Drawer E  
Artesia, New Mexico 88210

Dear Mr. Watson:

Pursuant to your request, I am enclosing certified copies of Oil and Gas Lease No. E-2597, which was cancelled for non-payment of royalty on March 6, 1958. Also enclosed are certified copies of Oil and Gas Lease No. OG-2426 and Assignment No. 1 from this lease.

If we may be of any further service, please let us know.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr  
encl.

C E R T I F I C A T I O N

I, PHIL R. LUCERO, COMMISSIONER OF PUBLIC LANDS, HEREBY  
CERTIFY THAT THE ATTACHED INSTRUMENT IS A TRUE AND EXACT PHOTO-  
COPY OF THE ORIGINAL OIL AND GAS LEASE NO. E-2597 IN MY CUSTODY  
AND ON FILE IN THE STATE LAND OFFICE.

February 12, 1975

DATE

  
PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS



said lands having been awarded to lessee and designated as tract No. 31 at a public sale held by the Commissioner of Public Lands on April 11, 1949 (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five (5) years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casinghead gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from sale of such gas in the field, or

(b) five cents (\$.05) per thousand cubic feet (m.c.f.), the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the Commissioner of Public Lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravitometer is not employed by the lessee in gas measurement;

Provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor acting by its Commissioner of Public Lands, may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof in the field) if the Commissioner of Public Lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of 25¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the Office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees with reasonable diligence to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operations shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not have any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the postoffice address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five (5) years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term.

16. If the lessee shall have maintained this lease in accordance with the provisions hereof and if at the expiration of the secondary term provided herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities or either of them is produced from said land; provided, however, such operations extending beyond the secondary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be made by the lessee to the lessor every 30 days and a cessation of such operations for more than 20 consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect.

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO  
By [Signature]  
COMMISSIONER OF PUBLIC LANDS, Lessor.  
THE PURE OIL COMPANY  
By [Signature]  
Manager, Texas Producing Division  
Lessee. (SEAL)

*W. P. [Signature]*

Distributed this the 27th day of April, 1949

(PERSONAL ACKNOWLEDGMENT)

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

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me

to me known to be the person \_\_\_\_\_ who executed the foregoing instrument as Lessee, and acknowledged that \_\_\_\_\_ he \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

In WITNESS WHEREOF; I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: \_\_\_\_\_ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF TEXAS }  
COUNTY OF TARRANT } ss:

On this the 19th day of April, 1949, personally appeared before me R. P. KELLY

to me known to be the person \_\_\_\_\_ who executed the foregoing instrument in behalf of \_\_\_\_\_

THE PURE OIL COMPANY

and acknowledged that \_\_\_\_\_ he \_\_\_\_\_ executed the same as the free act and deed of said \_\_\_\_\_

THE PURE OIL COMPANY

In WITNESS WHEREOF; I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: June 1, 1949 [Signature] Notary Public.

(CORPORATE ACKNOWLEDGMENT ON BACK)

CERTIFICATION

I, PHIL R. LUCERO, COMMISSIONER OF PUBLIC LANDS, HEREBY CERTIFY THAT THE ATTACHED INSTRUMENT IS A TRUE AND EXACT PHOTO-COPY OF THE ORIGINAL OIL AND GAS LEASE NO. OG-2426, ASSIGNMENT NO. 1, IN MY CUSTODY AND ON FILE IN THE STATE LAND OFFICE.

January 22, 1975

DATE

  
PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

# ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That E. B. Burgett No. 1  
(state whether married or single)

and Winnie Burgett, his wife  
(wife if any)

hereinafter called "Assignors," part ies of the first part, for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by

Humble Oil & Refining Company

LANDOWNER RELATIONS ROOM 2305 HOUSTON TOWER 77001

whose postoffice address is P. O. Box 1600, Midland, Texas 79701

hereinafter sometimes called the "Assignee," party of the second part, have sold, transferred, set over and assigned, and by these presents do sell, transfer, set over and assign to the Assignee

its heirs, successors and assigns, all of the assignors right,

title, interest and claim in and to that certain Oil and Gas Lease No. OG-2426, made by the

State of New Mexico to E. B. Burgett

under date of April 15, 1958

one of the Assignors herein, in and to the following described subdivisions of land in said lease described, and insofar as said lease affects such subdivisions—to-wit:

Township 21 South, Range 27 East, N.M.P.M.

Section 15: W/2 SE/4

C.S.

RECEIVED  
STATE LAND OFFICE  
SANTA FE, N. M.  
1961 JUL 3 PM 1 03

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to the above described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

IN WITNESS WHEREOF, the said parties of the first part have hereunto set their hand and seal on this the 16th day of June, 1961.

E. B. Burgett  
Winnie Burgett

FEE \$10.00

F-68985

No. 1

STATE OF NEW MEXICO

COUNTY OF OTERO

The foregoing instrument was acknowledged before me this 16th day of June, 19 61  
by E. B. Burgett and Winnie Burgett, his wife

My commission expires:

May 25, 1964

Francis Bradley  
Notary Public

Office of Commissioner of Public Lands,  
Santa Fe, New Mexico

I hereby certify that the within assignment was filed in my office on the 3rd day  
of July, 1961, and approved by me on JUL 11 1961, 1961

Commissioner  
Commissioner of Public Lands.

#### INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of 1.50 per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).
2. The lease is for a primary term of Five Years from the date of the lease, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions set forth in the lease.  
If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. But the annual rental on any assignment shall in no event be less than Twelve Dollars (\$12.00) during the secondary term.
3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
4. **Effective September 1, 1957, recording fee for each assignment is \$10.00.**
5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.
6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
7. Assignments must show complete postoffice address of assignee.
8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.
9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.
10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.
11. Make all payments for annual rental and recording and approval fees, to

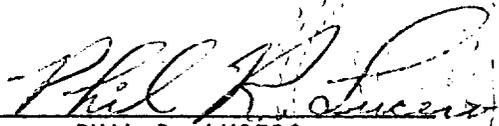
COMMISSIONER OF PUBLIC LANDS  
SANTA FE, NEW MEXICO

C E R T I F I C A T I O N

I, PHIL R. LUCERO, COMMISSIONER OF PUBLIC LANDS, HEREBY  
CERTIFY THAT THE ATTACHED INSTRUMENT IS A TRUE AND EXACT PHOTO-  
COPY OF THE ORIGINAL OIL AND GAS LEASE NO. OG-2426 IN MY CUSTODY  
AND ON FILE IN THE STATE LAND OFFICE.

January 22, 1975

DATE

  
PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS



Said lands having been awarded to lessee and designated as Tract No. 0-8 at a public sale held by the commissioner of public lands on April 15th, 1958 (To be filled in only where lands are offered at public sale.)

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them, is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil be stored.

2. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth of the cash value of gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the greater of the following amounts:

(a) the net proceeds derived from the sale of such gas in the field, or

(b) five cents (\$0.05) per thousand cubic feet (m.c.f.) the volume of gas for such purposes to be computed on a pressure basis of 10 ounces above an assumed atmospheric pressure of 14.4 pounds per square inch, or 15.025 pounds per square inch absolute, at 60° Fahrenheit, and pursuant to appropriate regulations of the commissioner of public lands which may provide, among other things, for a flowing temperature of 60° Fahrenheit to be assumed and applied in volume computation in all cases where a recording thermometer is not employed by the lessee in gas measurement, and for specific gravity tests at the lessee's expense at intervals not greater than one year in all cases where a recording gravimeter is not employed by the lessee in gas measurement; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor, acting by its commissioner of public lands, may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas.

This lease shall not expire at the end of either the primary or secondary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom; provided, however, the owner of this lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars (\$100.00) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after ten years from the date hereof for any period of more than five years by the payment of said annual royalty.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of 25¢ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than six dollars (\$6.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the state of New Mexico, acting by its commissioner of public lands, or other authorized officer, all amounts then due as provided herein and the further sum of ten dollars (\$10.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the state of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and / or all damages to the range, livestock or improvements caused by

and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All of the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil or gas in paying quantities during the primary term hereof or if such discovery shall have been made and production shall have ceased for any reason, the lessee may continue this lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term; provided, however, such rental shall be paid within the time provided by Section 13 hereof, and provided, further, that if oil or gas in paying quantities should be discovered during the secondary term hereof but production should cease, this lease shall continue for the remainder of said secondary term of five years so long as said rental is paid, and if oil or gas in paying quantities is being produced at the end of the secondary term of five years so long thereafter as oil and gas in paying quantities or either of them is produced from the leased premises.

16. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the secondary term provided for herein oil or gas is not being produced on said land but lessee or any assignee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the secondary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and thereupon the provisions hereof shall be of no further force or effect. Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation for failure to pay rentals or to otherwise comply with the foregoing provisions of this section in accordance with Section 13 hereof.

17. Should production of oil or gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of ten years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

By: [Signature] STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS, Lessor  
E. B. BURGETT  
X E. B. BURGETT (Seal)  
Lessee

Distributed this the 16th day of May, 1958

(PERSONAL ACKNOWLEDGMENT)

STATE OF New Mex  
COUNTY OF Churo } ss:  
The foregoing instrument was acknowledged before me this 8th day of May, 1958, by  
E. B. BURGETT  
My commission expires: Feb 15, 1959 Frances D. Mahill  
Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF \_\_\_\_\_ } ss:  
COUNTY OF \_\_\_\_\_ }  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ as attorney-in-fact in behalf of \_\_\_\_\_  
My commission expires: \_\_\_\_\_ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF \_\_\_\_\_ } ss:  
COUNTY OF \_\_\_\_\_ }  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_ (CORPORATION) a \_\_\_\_\_ corporation, on behalf of said corporation.  
My commission expires: \_\_\_\_\_ Notary Public