

Form 3160-3  
(November 1983)  
(formerly 9-331C)SUBMIT IN TRIPLICATE\*  
(Other Instructions on  
reverse side)Form approved.  
Budget Bureau No. 1004-0136  
Expires August 31, 1985UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

## 1a. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐

## b. TYPE OF WELL

OIL  
WELL ☐GAS  
WELL ☒

OTHER

SINGLE  
ZONE ☐MULTIPLE  
ZONE ☐

## 2. NAME OF OPERATOR

NASSAU RESOURCES, INC.

## 3. ADDRESS OF OPERATOR

P O Box 809, Farmington, N.M. 87499

## 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements\*)

At surface

1650' FNL - 1850' FEL

At proposed prod. zone

## 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

+ 15 miles E SE of Arboles, CO.

## 10. DISTANCE FROM PROPOSED\*

LOCATION TO NEAREST  
PROPERTY OR LEASE LINE, FT.  
(Also to nearest drilg. unit line, if any)

530'

18. DISTANCE FROM PROPOSED LOCATION\*  
TO NEAREST WELL, DRILLING, COMPLETED,  
OR APPLIED FOR, ON THIS LEASE, FT.

1/2 mile

## 16. NO. OF ACRES IN LEASE

520.0

## 19. PROPOSED DEPTH

3270'

17. NO. OF ACRES ASSIGNED  
TO THIS WELL

320.0

## 20. ROTARY OR CABLE TOOLS

Rotary

## 21. ELEVATIONS (Show whether DF, RT, GR, etc.)

6535 GL

6543' KB

## 22. APPROX. DATE WORK WILL START\*

ASAP

## 23.

## PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	9-5/8"	36#	350'	165 cu.ft. circ. to surface.
8-3/4"	5-1/2"	15.5#	3270'	1239 cu.ft. circ. to surface.

Plan to drill with spud mud to set 350' of surface casing. Will then drill with water and gel-chem. mud to test the Fruitland coal zone at + 3270'. Will run IES, CDL and Microlog logs. If well appears productive, will set 5-1/2" casing at TD, cement in 1 stage, selectively perforate, frac, clean out after frac and complete with 2-7/8" tubing.

RECEIVED  
JUL 03 1989  
OIL CON. DIV.  
DIST. 3

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

## 24.

SIGNED

James S. Hazen

TITLE Field Supt.

DATE 5/5/89

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED  
AS AMENDED

APPROVED BY

TITLE

CONDITIONS OF APPROVAL, IF ANY:

JUN 27 1989  
AREA MANAGER

NMOCD  
\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Form C-102  
Revised 1-1-89

P.O. Box 2088

1980, Hobbs, NM 88240

**RICT II**  
Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

All Distances must be from the outer boundaries of the section

Operator Nassau Resources, Inc.		Lease Carracas Unit 15 B		Well No. 7
Unit Letter G	Section 15	Township 32 North	Range 4 West NMPM	County Rio Arriba
Actual Footage Location of Well:				
1650 feet from the North line and		1850 feet from the East line		
Ground level Elev. 6535	Producing Formation Fruitland Coal	Pool Basin Fruitland Coal	Dedicated Acreage: 320.0 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communization, unitization, force-pooling, etc.?
- ☒ Yes      ☐ No      If answer is "yes" type of consolidation Carracas Unit - Unitization
- If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_
- No allowable will be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

RECEIVED  
BLM MAIL ROOM  
03 MAY 10 AM 9:09  
FARMINGTON RESOURCE AREA  
FARMINGTON, NEW MEXICO

SECTION 15

1650'

1850'

Dalport Oil Corp.  
100%  
NM 29339

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature \_\_\_\_\_  
James S. Hazen  
Printed Name \_\_\_\_\_

Field Supt.

Position

Nassau Resources, Inc.  
Company

5/5/89

Date \_\_\_\_\_

### SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

**Data Surveyed**

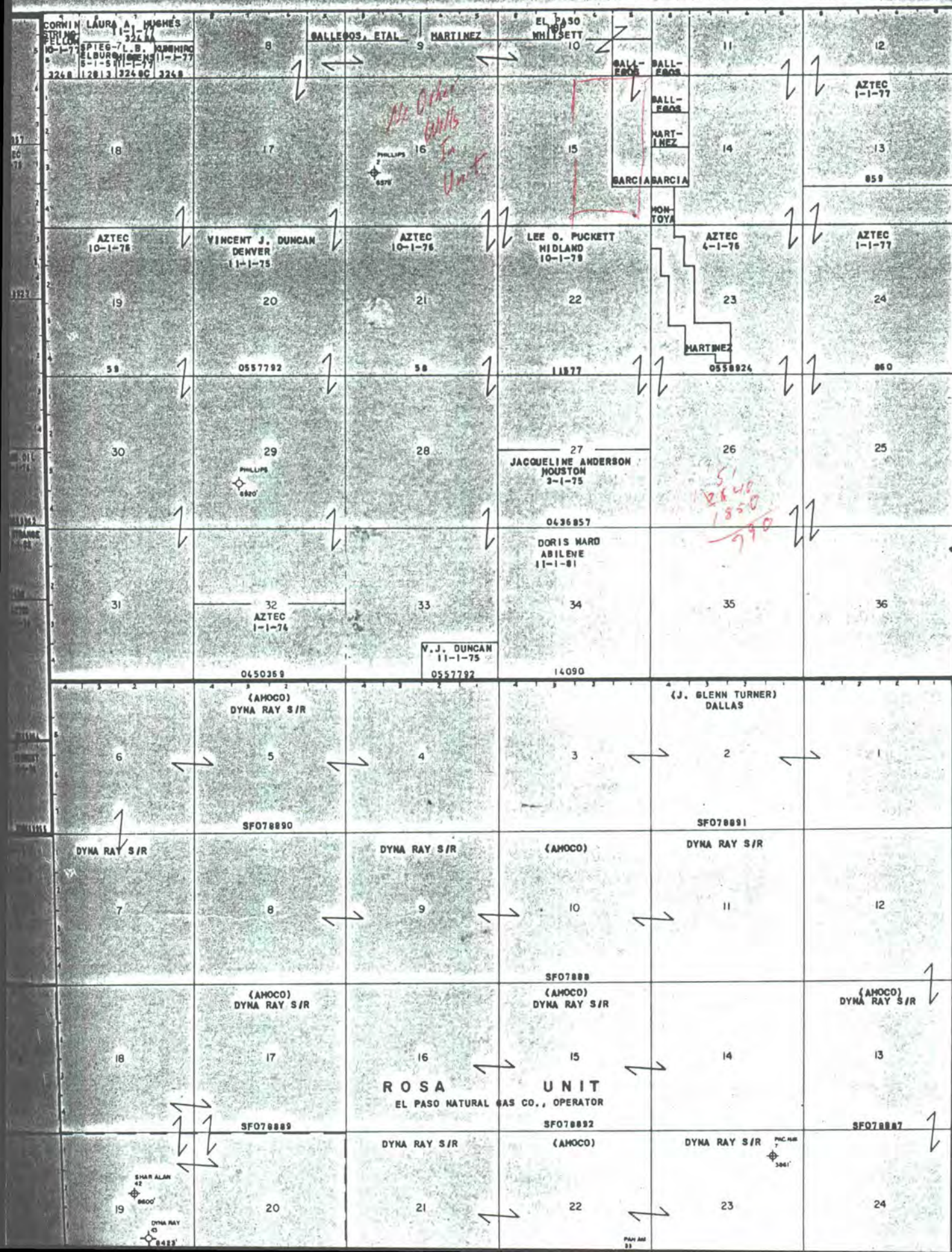
March

Signature & Seal of  
Professional Surveyor

EDGAR  
NEW MEXICO  
5979  
Edgar  
Certified Name 5979  
Edgar



R. 4 W.



T.  
32  
N.

T.  
31  
N.



KELLAHIN, KELLAHIN and AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe  
Post Office Box 2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

Santa Fé, New Mexico 87504-2265

FAX 505/982-2047

August 10, 1989

HAND-DELIVERED

Michael E. Stogner, Examiner  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

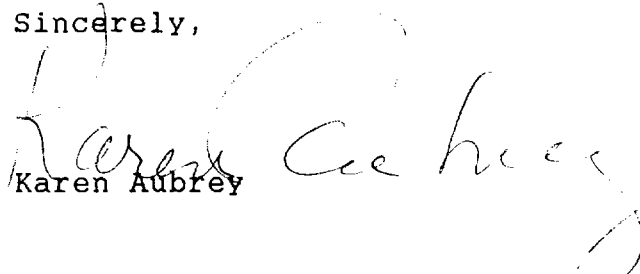
Re: Case No. 9717 - Application of Nassau Resources, Inc.  
for Compulsory Pooling, Rio Arriba County, New Mexico

Dear Mr. Stogner:

I enclose a proposed order for your consideration in connection with the above captioned case which was heard on August 9, 1989. Nassau Resources, Inc. would appreciate it if you could expedite this Order since they have a drilling rig in the area.

Please let me know if I may provide you with additional information or documents.

Sincerely,

  
Karen Aubrey

KA:rs  
Encl.

cc: Kent Craig - Nassau Resources

JUL 20 1989

OIL AND GAS LEASE

Ans'd.....

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Norma Maria Madrid

whose post office address is P. O. Box 1293, Ferndale, Washington 98248, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222  
general partnership hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Norma Maria Madrid  
Norma Maria Madrid

STATE OF WASHINGTON }  
COUNTY OF WHATCOM } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 18  
day of July, 1989, personally appeared Norma Maria Madrid

and \_\_\_\_\_,  
to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as A free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 3-4-91 Susan E. Palmer Notary Public.

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

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires Book 128 Page 120-121 Notary Public.

JUL 24 1989

STATE OF NEW MEXICO }  
COUNTY OF Alameda } ss.

ACKNOWLEDGMENT (For use by Corporation)

On this 18 day of July, A.D. 19\_\_\_\_, before me personally  
appeared David S. Chavez By Deputy of \_\_\_\_\_,  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.  
Notary Public.

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

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.	County Clerk _____	Deputy _____	When recorded return to _____
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RECEIVED

JUL 19 1989

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between Elizabeth Ann Troxell, joined herein by her husband James W. Troxell

whose post office address is 611 Poplar, Farmington, NM 87301, hereinafter called Lessor (whether one or more) and Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee;

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

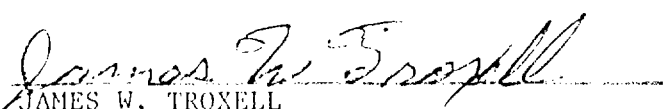
12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and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

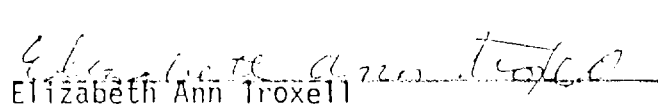
13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or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

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

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

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

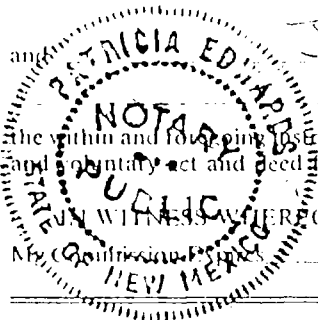
  
JAMES W. TROXELL

  
Elizabeth Ann Troxell

STATE OF New Mexico  
COUNTY OF SAN JUAN } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14th  
day of July, 19 89, personally appeared Elizabeth Ann Troxell



and James W. Troxell

to me known to be the identical person S, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that They duly executed the same as their free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 4-14-91 Patricia Edwards  
Notary Public.

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

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19 \_\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_  
to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_ 70597 \_\_\_\_\_  
Notary Public.

FILED IN THE COUNTY  
CLERK'S OFFICE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_  
On this \_\_\_\_\_ AT 1:30 O'CLOCK P. M. ACKNOWLEDGMENT (For use by Corporation)

Book 128 Page 118-119, A.D. 19\_\_\_\_\_, before me personally  
appeared \_\_\_\_\_ JUL 24 1989 \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

DAVID S. HAVCZ  
County Clerk of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
By Shirley M. Havc Deputy  
acknowledged and said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_\_.  
\_\_\_\_\_  
Notary Public.

(SEAL)  
My Commission expires \_\_\_\_\_  
CLERK

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.	County Clerk _____	Deputy _____	When recorded return to _____
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OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between Linda Sue Lanier, joined herein by her husband Steven Blaine Lanier

whose post office address is P. O. Box 922, Flora Vista, NM 87415, hereinafter called Lessor (whether one or more) and Kindermac Partners, a Colorado general partnership whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Linda Sue Lanier  
Linda Sue Lanier

Steven Blaine Lanier

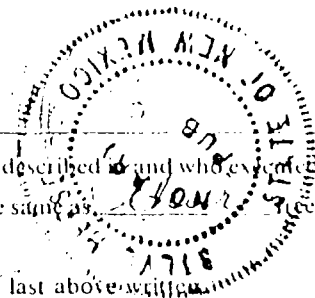
STATE OF New Mexico  
COUNTY OF San Juan

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14th  
day of July, 1989, personally appeared Linda Sue Kerner  
Steven Blaine Kerner

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described \_\_\_\_\_ and who executed  
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 6-16-90 \_\_\_\_\_ Notary Public.



STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_ Notary Public.

70596  
FILED IN THE COUNTY  
CLERK'S OFFICE  
AT 1:30 O'CLOCK P.M.  
Book 128 Page 116-117

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

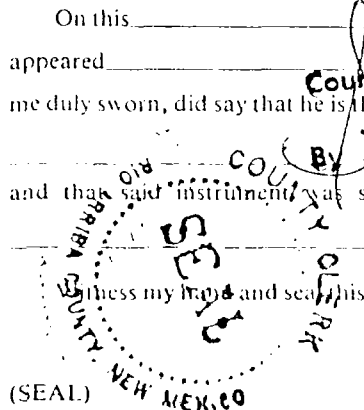
ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_, before me personally  
appeared DAVID S. HAVES, \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

By Shirley M. Chavez Deputy Clerk of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

I witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.  
\_\_\_\_\_  
Notary Public.

My Commission expires \_\_\_\_\_



DEPUTY		No 10067	
CLERK		Amount <u>21.00</u>	
<u>David S. Haves</u>		<input type="checkbox"/> CASH	
<u>Shirley M. Chavez</u>		<input checked="" type="checkbox"/> CHECK	
		<input type="checkbox"/> OTHER	
Dollars <u>Twenty One and 00/100</u>		For <u>Recording 301 + 3000</u>	
July 24, 1989		RECEIVED OF	
Terra Annalisa, N.M.		RIO ARRIBA COUNTY	
		COUNTY CLERK	
		Office of the	

RECEIVED

AUG - 3 1989

And'd.....

# OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Lauralee Payne

whose post office address is 1308 Gladeview Dr., Farmington, NM 87401, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222  
general partnership hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more DOLLARS  
cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised,  
leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the  
exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of  
whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care  
of said products, all that certain tract of land situated in the County of Rio Arriba

State of New Mexico, described as follows, to-wit:

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lauralee Payne  
Lauralee Payne

STATE OF Nebraska COUNTY OF SARJEAN  
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 31st day of July, 19 89, personally appeared Evelyn Payne

and Janice Royce  
the within and foregoing instrument of writing and acknowledged to me that Janice Royce duly executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires 1/24/91

Notary Public

STATE OF Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah, Nebraska, North Dakota, South Dakota COUNTY OF ss.  
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 31st day of July, 19 89, personally appeared Evelyn Payne

and Janice Royce  
the within and foregoing instrument of writing and acknowledged to me that Janice Royce duly executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires

Notary Public

STATE OF ss. COUNTY OF ss.  
ACKNOWLEDGMENT (For use by Corporation)

On this 31st day of July, 19 89, before me personally appeared Evelyn Payne, to me personally known, who, being by me duly sworn, did say that he is the President of ss.

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said ss. acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 31st day of July, A.D. 19 89.

(SEAL)

My Commission expires

No. 1122

FROM

TO

Dated July 31st, 19 89

No. Acres ss. County ss.

Term ss.

This instrument was filed for record on the 31st day of July, 19 89, at 3:15 o'clock PM, and duly recorded in ss. Volume ss. Page ss. of the records of this office.

County Clerk

By ss. Deputy

When recorded return to



RECEIVED

JUL 3 1 1989

OIL AND GAS LEASE

Ans'd.....

AGREEMENT, Made and entered to the 29th day of June, 19 89, by and between  
Edward S. Gallegos, Jr. and Shirley A. Gallegos, husband and wife

whose post office address is 6468 W. Arbor Dr., Littleton, CO 80122, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Edward S. Gallegos, Jr.

STATE OF NEW MEXICO } ss. Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
COUNTY OF GRANBURY } ss. Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT - INDIVIDUAL  
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 12th  
day of July, 1911, personally appeared Samuel S. Gallagher  
and Stacy A. Gallagher  
to me known to be the identical person S, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as their free  
and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires March 2, 1912  
Wm. F. Hughes Notary Public.

STATE OF NEW MEXICO } ss. Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
COUNTY OF GRANBURY } ss. Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT - INDIVIDUAL  
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_  
and \_\_\_\_\_  
to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_  
\_\_\_\_\_  
Notary Public.

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT (For use by Corporation)  
COUNTY OF \_\_\_\_\_ } ss.  
On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_, before me personally  
appeared \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_  
CLERK'S OFFICE  
AT 3:00 O'CLOCK P.M.  
Book 128 and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.  
Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_  
DAVID S. HAVES  
County Clerk Rio Arriba County  
New Mexico  
By Phillip M. Chavez Deputy  
Notary Public.  
My Commission expires \_\_\_\_\_

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____ of the records of this office.	County Clerk _____	Deputy _____	When recorded return to _____
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# McHUGH

Jerome P. McHugh & Associates  
Operating Affiliate: Nassau Resources, Inc.  
650 South Cherry, Suite 1225  
Denver, Colorado 80222  
(303) 321-2111 FAX (303) 321-1563

June 29, 1989

CERTIFIED - Return Receipt Requested

Ms. Sophia Martinez  
Star Route, Box 33  
Pagosa Springs, Colorado 81147

Ladies:

Jerome P. McHugh, through its operating entity Nassau Resources, Inc., plans to drill an approximate 4100' Fruitland Coal test in the SW/4NE/4 of Section 15-T32N-R4W by mid-August. The proposed drilling/spacing unit for the well is the E/2 of Section 15.

The county records indicate that you own 12 net mineral acres, more or less, in the following lands:

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

As you can see from the attached map, the above described acreage falls within our proposed drilling unit.

We are hereby proposing that you consider one of the two following alternatives:

1. Enclosed are three (3) original Oil and Gas Lease instruments covering your interest in the E/2NE/4, NE/4SE/4 of Section 15-T32N-R4W. Also enclosed is our draft in the amount of \$348.00, being \$25/net mineral acre for your 12 mineral acres (total \$300) plus four years of delay rentals (total \$48). Our lease provides for a five (5) year term and a 1/8th royalty. In conjunction with said lease, enclosed are six (6) Ratification and Joinder instruments for our Carracas Canyon Unit that need to be executed as well as our proposed well is a Carracas Canyon Unit well. If you are married, we ask that both you and your spouse execute the leases before a Notary Public, fill in your social security number, and return two originals to my attention. Both of you should also sign the Ratification instruments before a Notary Public and return five (5) to my attention with the lease. Upon executing and returning the lease and Ratification to me, feel free to submit the enclosed draft to your local bank as a collection item.

Ms. Sophia Martinez  
June 29, 1989  
Page Two

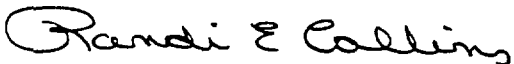
-OR-

2. Enclosed are two original Authority for Expenditure (AFE) instruments No. A52202. In the event you elect not to lease with us, you may elect to join as a paying and participating working interest owner in our well. Based on your 12 net acres in the drilling unit, you may join for 3.75% (12 acres ÷ 320 acres) of the drilling and completion costs, being \$15,412.50. If this is your election, please execute and date one copy of the AFE instrument returning it to my attention, at which time I will forward the remaining documentation for your participation.

We request that you respond in writing to this proposal by July 15, 1989. Failure to do so will leave us no alternative but to request that this well be put on the August 9, 1989 docket of the New Mexico Oil Conservation Commission for a forced pooling action.

Feel free to call me at (303) 321-2111 should you have any questions.

Very truly yours,



Randi E. Collins  
for Kent C. Craig

KCC/rc

enclosures



<p>● <b>SENDER:</b> Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.</p>	
<p><b>(CONSULT POSTMASTER FOR FEES)</b></p>	
<p>1. The following service is requested (check one).  <input checked="" type="checkbox"/> Show to whom and date delivered ..... 90¢  <input type="checkbox"/> Show to whom, date, and address of delivery .. ¢  <input type="checkbox"/> RESTRICTED DELIVERY ..... ¢  <small>(The restricted delivery fee is charged in addition to the return receipt fee.)</small></p>	
<p><b>TOTAL \$</b> 90¢</p>	
<p>3. <b>ARTICLE ADDRESSED TO:</b>                  Sophia Martinez                  Star Route, Box 33                  Pagosa Springs, CO 81147</p>	
<p>4. <b>TYPE OF SERVICE:</b>  <input type="checkbox"/> REGISTERED  <input checked="" type="checkbox"/> CERTIFIED  <input type="checkbox"/> EXPRESS MAIL</p>	<p><b>ARTICLE NUMBER</b>                  P841883199</p>
<p><b>(Always obtain signature of addressee or agent)</b></p>	
<p>I have received the article described above.</p>	
<p><b>SIGNATURE</b> <input type="checkbox"/> Addressee <input checked="" type="checkbox"/> Authorized agent  <i>Sophia Martinez</i></p>	<p><b>POSTMARK</b>                  (may be on reverse side)</p>
<p>5. <b>DATE OF DELIVERY</b>                  7/5/87</p>	<p>6. <b>ADDRESSEE'S ADDRESS (Only if requested)</b></p>
<p>7. <b>UNABLE TO DELIVER BECAUSE:</b></p>	<p>7a. <b>EMPLOYEE'S INITIALS</b>                  [Signature]</p>

NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

DATE: 27 JUNE 1989  
LSE NAME: CARRACAS CANYON UNIT  
LOCATION: SW NE SEC 15, T32N R04W  
OPERATOR: NASSAU RESOURCES, INC.  
DESCRIPTION: 4100' FRUITLAND COAL TEST

AFE NO.: A52202  
WELL NO.: 15 B-7  
COUNTY: RIO ARriba  
STATE: NEW MEX.

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ACCOUNTING CODE	EXPENDITURE DESCRIPTION	TANGIBLE COST	INTANGIBLE COST	LEASEHOLD COSTS
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A-60105	TITLE COSTS	XXXXXXXXXX	XXXXXXXXXX	2,000
A-60202	LEGAL COSTS/SURFACE DAMAGES	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60203	SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION	XXXXXXXXXX	20,000	XXXXXXXXXX
A-60204	CONTRACT DRILLING	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60205	MUD/CHEMICALS/ADDITIVES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60206	WATER/PURCHASE/TRANSPORTATION	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60207	OPEN HOLE LOGGING	XXXXXXXXXX	8,500	XXXXXXXXXX
A-60208	MUD LOGGING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60209	DST/FORMATION TESTING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60210	CORING/CORE ANALYSIS	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60211	TRUCKING/HAULING/CATWORK	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60212	CEMENTING SERVICES	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60213	RENTAL TOOLS AND EQUIPMENT	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60214	PROF SERVICES AND EXPENSES	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60215	SUPERVISION/OVERHEAD	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60216	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	1,500	XXXXXXXXXX
A-60217	PLUG/ABANDON/CLEANUP	XXXXXXXXXX	0	XXXXXXXXXX
A-60218	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	3,000	XXXXXXXXXX
A-60302	CASING, SURFACE &/OR CONDUCTOR	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60303	CASING, INTERMEDIATE	0	XXXXXXXXXX	XXXXXXXXXX
A-60304	FLOAT EQUIPMENT & CENTRALIZERS	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60305	CASING HEAD/ DRILLING FLANGE	0	XXXXXXXXXX	XXXXXXXXXX
A-60306	NON-CONTROLLABLE EQUIPMENT	0	XXXXXXXXXX	XXXXXXXXXX

DRY HOLE COST: TOTAL \$114,000 <<< 0 112,000 2,000

A-60231	CEMENTING SERVICES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60232	COMPLETION UNIT/POWER SWIVEL/PUMP/PITS	XXXXXXXXXX	15,000	XXXXXXXXXX
A-60233	PERFORATING AND CASED HOLE LOGGING	XXXXXXXXXX	3,500	XXXXXXXXXX
A-60234	FORMATION TREATING/FRAC/ACID	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60235	RENTAL TOOLS & EQUIPMENT	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60236	DIRT WORK/CONSTRUCTION	XXXXXXXXXX	500	XXXXXXXXXX
A-60237	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60238	SUPERVISION/OVERHEAD	XXXXXXXXXX	4,000	XXXXXXXXXX
A-60239	PROFESSIONAL SERVICES & EXPENSES	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60240	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60331	CASING, PRODUCTION &/OR LINER	25,000	XXXXXXXXXX	XXXXXXXXXX
A-60332	FLOAT EQUIPMENT & CENTRALIZERS	0	XXXXXXXXXX	XXXXXXXXXX
A-60333	TUBING/PACKER/SPECIAL SUBSURFACE EQUIP	9,000	XXXXXXXXXX	XXXXXXXXXX
A-60334	RODS/PUMP/AUXILLARY EQUIP	6,000	XXXXXXXXXX	XXXXXXXXXX
A-60335	TUBING HEAD/CHRISTMAS TREE	7,000	XXXXXXXXXX	XXXXXXXXXX
A-60336	PUMPING UNIT/PRIME MOVER/COMPRESSOR	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60337	TANKS/STAIRWAY/WALKWAY	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60338	SEPARATOR/TREATOR/PRODUCTION UNIT	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60339	PIPELINE/POWERLINE	80,000	XXXXXXXXXX	XXXXXXXXXX
A-60340	VALVES/FITTINGS/LINE PIPE	2,000	XXXXXXXXXX	XXXXXXXXXX
A-60341	NON-CONTROLLABLE EQUIP/MISC EQUIP	500	XXXXXXXXXX	XXXXXXXXXX
A-60342	TRUCKING/HAULING/TRANSPORTATION	1,500	XXXXXXXXXX	XXXXXXXXXX

COMPLETION COSTS: TOTAL \$297,000 <<< 191,000 106,000 0

TOTAL WELL COSTS: \$411,000 <<< 191,000 218,000 2,000

=====

WORKING INTEREST PARTNER APPROVALS:

Sophia Martinez 3.75%

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

TITLE

=====

McHUGH APPROVALS:

LAND ENGR. ACCT. PRES. FIELD

APPR. BY: \_\_\_\_\_

AND  
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Carracas Canyon Unit Area, County of Rio Arriba, State of New Mexico, dated January 27, 1987, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Sophia Martinez

Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared Sophia Martinez, to me known to be the person who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My commission expires: \_\_\_\_\_

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Sophia Martinez

whose post office address is Star Route, Box 33, Pagosa Springs, CO 81147, hereinafter called Lessor, (whether one or more) and  
Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4  
Section 14: NW/4SW/4

and containing 160 acres, more or less, five  
1. It is agreed that this lease shall remain in force for a term of ~~XX~~ years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sophia Martinez



THIS IS A COLLECTION ITEM  
NOT A CASH ITEM

CUSTOMER'S DRAFT  
With privilege of Re-Draft

COLLECT DIRECTLY THROUGH United Bank of Colorado  
P. O. Box 317  
Aurora, CO 80011

DATE Aug 22, 1994

Thirty (30) Days After Sight and Subject to Approval of Title

Pay to the Order of Sophia Martinez \$ 340.00

Three Hundred Forty-Eight and NO/100 DOLLARS

With Exchange

Consideration for Oil & Gas Lease, 5 years, paid-up

To: Jerome P. McHugh & Associates  
650 S. Cherry St., Suite 1225  
Denver, CO 80222

Randi E. Collins

Description:

DETACH BEFORE PRESENTING FOR PAYMENT

T30N-L54E

Sec. 10: E/2NE/4, NE/4SE/4

County El Paso

State New Mexico

Gross Acres 1.00

Net Acres 1.00

OFFICE COPY

JUL 20 1989

OIL AND GAS LEASE

Ans'd.....

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Norma Maria Madrid

whose post office address is P. O. Box 1293, Ferndale, Washington 98248, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222  
general partnership hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

1. It is agreed that this lease shall remain in force for a term of ~~XX~~ years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.
2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.
3. In consideration of the premises the said Lessee covenants and agrees:
  - 1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises
  - 2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.
  - 3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the month of the well, payable monthly at the prevailing market rate.
4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.
5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.
6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.
7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.
11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessor, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.
12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or re-working operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.
13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.
14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.
15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

Norma M. Madrid  
Norma Maria Madrid

STATE OF WASHINGTON } ss.  
COUNTY OF WHATCOM

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 18  
day of July, 1989, personally appeared Norma Maria Madrid

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as A free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 3-4-91 Susan E. Balan Notary Public.

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

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires Book 128 Page 120-121 Notary Public.

JUL 24 1989

STATE OF NEW MEXICO  
COUNTY OF DAVID S. CHAVEZ  
County Clerk Rio Arriba County

ACKNOWLEDGMENT (For use by Corporation)

On this July 18, A.D. 19\_\_\_\_, before me personally  
appeared By \_\_\_\_\_ Deputy, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.  
(SEAL) \_\_\_\_\_ Notary Public.  
My Commission Expires \_\_\_\_\_

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.	County Clerk _____	Deputy _____	When recorded return to _____
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OIL AND GAS LEASE

JUL 19 1989

AGREEMENT, Made and entered into the 29th day of June, 19 89 A.D., by and between  
Elizabeth Ann Troxell, joined herein by her husband James W. Troxell

whose post office address is 611 Poplar, Farmington, NM 87301, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado  
general partnership whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee;

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

James W. Troxell  
JAMES W. TROXELL

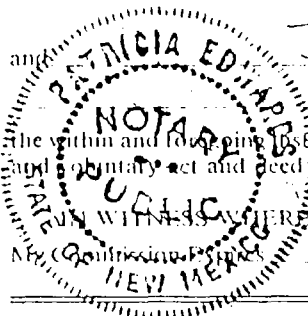
Elizabeth Ann Troxell  
Elizabeth Ann Troxell



STATE OF New Mexico  
COUNTY OF San Juan

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14th  
day of July, 1989, personally appeared Elizabeth Ann Troxell



and James W. Troxell

to me known to be the identical person S, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that They duly executed the same as their free  
and voluntary act and deed for the uses and purposes therein set forth.

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

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_  
to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_  
70597  
Notary Public.

FILED IN THE COUNTY

CLERK'S OFFICE

ACKNOWLEDGMENT (For use by Corporation)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_  
On this \_\_\_\_\_  
AT 1:30 O'CLOCK P. M.  
Book 128 Page 118-119

\_\_\_\_\_, A.D. 19\_\_\_\_, before me personally  
appeared \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

DAVID S. HAVCZ  
County Clerk of \_\_\_\_\_ County  
and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
By Shirley M. Havc Deputy  
acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.  
\_\_\_\_\_  
Notary Public.

My Commission expires \_\_\_\_\_  
NEW MEXICO

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____
This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.						
By _____ County Clerk.			By _____ Deputy.			
When recorded return to _____						

# OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Linda Sue Lanier, joined herein by her husband Steven Blaine Lanier

whose post office address is P. O. Box 922, Flora Vista, NM 87415, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado general partnership whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee:

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Linda Sue Lanier  
Linda Sue Lanier

Steven Blaine Lanier  
Steven Blaine Lanier

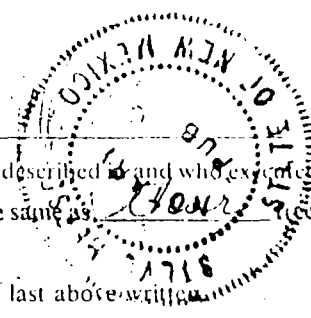
STATE OF New Mexico  
COUNTY OF San Juan }

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14th  
day of July, 19 89, personally appeared Shonda Sue Kerner  
Steven Blaine Kerner

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described \_\_\_\_\_ and who executed  
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as \_\_\_\_\_  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 6-10-90 \_\_\_\_\_  
Notary Public.



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

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19 \_\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_, to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_  
Notary Public.

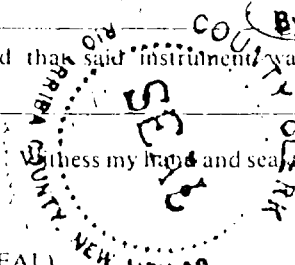
70596  
FILED IN THE COUNTY  
CLERK'S OFFICE  
AT 1:36 O'CLOCK P.M.  
Book 128 Page 116-117

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

ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19 \_\_\_\_\_, before me personally  
appeared \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_  
County Clerk of \_\_\_\_\_  
New Mexico  
and that the seal affixed to said instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19 \_\_\_\_\_  
Notary Public.  
My Commission expires \_\_\_\_\_



DEPUTY		CLERK	
_____		_____	
OTHER <input type="checkbox"/>		CHECK <input checked="" type="checkbox"/>	
CASH <input type="checkbox"/>		Amount <u>21.00</u>	
For _____		Twenty One and 00/100 Dollars	
RECEIVED OF		_____	
RIO ARRIBA COUNTY		_____	
COUNTY CLERK		_____	
Office of the		_____	
Tierra Amarilla, N.M.		July 24, 1989	

# OIL AND GAS LEASE

RECEIVED

AUG - 3 1989

Ans'd.....

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Lauralee Payne

whose post office address is 1308 Gladeview Dr., Farmington, NM 87401, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222  
general partnership, hereinafter called Lessee;

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less, five

1. It is agreed that this lease shall remain in force for a term of ~~XX~~ years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.
2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.
3. In consideration of the premises the said Lessee covenants and agrees:
  - 1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
  - 2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.
  - 3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.
4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.
5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.
6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.
7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.
11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.
12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or re-working operations on a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.
13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.
14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.
15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

Lauralee Payne  
Lauralee Payne  
Ethan Payne

STATE OF New Mexico COUNTY OF Santa Fe ss. William Royce Notary Public, in and for said County and State, on this 31st day of July, 1989, personally appeared

and Juanita Royce, to me known to be the identical person Juanita Royce, described in and who executed the within and foregoing instrument of writing and acknowledged to me that Juanita Royce duly executed the same as Juanita Royce free

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

William Royce  
Notary Public

STATE OF Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah, Nebraska, North Dakota, South Dakota ss. William Royce Notary Public, in and for said County and State, on this 31st day of July, 1989, personally appeared

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 31st day of July, 1989, personally appeared

and Juanita Royce, to me known to be the identical person Juanita Royce, described in and who executed the within and foregoing instrument of writing and acknowledged to me that Juanita Royce duly executed the same as Juanita Royce free

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

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

ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by \_\_\_\_\_ of \_\_\_\_\_ me duly sworn, did say that he is the \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.

(SEAL) \_\_\_\_\_  
Notary Public.

My Commission expires \_\_\_\_\_

No. \_\_\_\_\_

FROM

TO

Dated \_\_\_\_\_, 19\_\_\_\_

No. Acres \_\_\_\_\_ County \_\_\_\_\_

Term \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_

day of \_\_\_\_\_, 19\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded in

Volume \_\_\_\_\_ Page \_\_\_\_\_ of the records of this office.

County Clerk.

By \_\_\_\_\_ Deputy.

When recorded return to \_\_\_\_\_

RECEIVED

JUL 31 1989

OIL AND GAS LEASE

Ans'd.....

AGREEMENT, Made and entered to the 29th day of June, 19 89, by and between  
Edward S. Gallegos, Jr. and Shirley A. Gallegos, husband and wife

whose post office address is 6468 W. Arbor Dr., Littleton, CO 80122, hereinafter called Lessor (whether one or more), and  
Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee;

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

and containing 120 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Edward S. Gallegos, Jr.



STATE OF NEW MEXICO  
COUNTY OF DOÑA ANA } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 12th  
day of July, 1922, personally appeared William F. Brown

and Emily A. Brown  
to me known to be the identical person 5, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as their free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires 1923  
William F. Brown Notary Public.

STATE OF NEW MEXICO  
COUNTY OF DOÑA ANA } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_  
to me known to be the identical person \_\_\_\_\_, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that \_\_\_\_\_ duly executed the same as \_\_\_\_\_ free  
and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.  
My Commission Expires \_\_\_\_\_  
\_\_\_\_\_  
Notary Public.

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

ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of July, A.D. 19\_\_\_\_, before me personally  
appeared \_\_\_\_\_, to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_  
and that the said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_\_\_.  
DAVID S. HAYES  
County Clerk Rio Arriba County  
New Mexico  
By Charles Deputy  
(SEAL) My Commission expires \_\_\_\_\_  
Notary Public.

No. _____	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Volume _____, Page _____ of the records of this office.	County Clerk _____	Deputy _____	When recorded return to _____
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# McHUGH

Jerome P. McHugh & Associates  
Operating Affiliate: Nassau Resources, Inc.  
650 South Cherry, Suite 1225  
Denver, Colorado 80222  
(303) 321-2111 FAX (303) 321-1563

July 5, 1989

CERTIFIED - Return Receipt Requested

Mr. Edward S. Gallegos, Jr.  
6468 West Arbor Drive  
Littleton, Colorado 80123

Mr. Joe E. Martinez, Jr.  
P. O. Box 1303  
Pagosa Springs, Colorado 81147

Mr. Demetrio Martinez  
c/o Joe E. Martinez, Jr.  
P. O. Box 1303  
Pagosa Springs, Colorado 81147

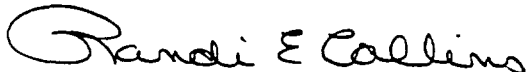
Gentlemen:

During a telephone conversation with Elizabeth Troxell today, I realized that the letter dated June 29, 1989 that you received was not complete. I sincerely apologize for this error.

Enclosed please find the letter in complete format.

Again, I apologize for this error and hope that it did not cause you any inconvenience.

Very truly yours,



Randi E. Collins

enclosure

BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 1

Case No. 9717

<p>● <b>SENDER:</b> Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.</p>	
<p><b>(CONSULT POSTMASTER FOR FEES)</b></p> <p>1. The following service is requested (check one). <span style="float: right;">90¢</span></p> <p><input checked="" type="checkbox"/> Show to whom and date delivered .....</p> <p><input type="checkbox"/> Show to whom, date, and address of delivery .....</p> <p>2. <input type="checkbox"/> <b>RESTRICTED DELIVERY</b> ..... (The restricted delivery fee is charged in addition to the return receipt fee.)</p> <p style="text-align: right;"><b>TOTAL \$ 90¢</b></p>	
<p>3. <b>ARTICLE ADDRESSED TO:</b> Joe E. Martinez, Jr. P. O. Box 1303 Pagosa Springs, CO 81147</p>	
<p>4. <b>TYPE OF SERVICE:</b></p> <p><input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED</p> <p><input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD <span style="float: right;">P841883206</span></p> <p><input type="checkbox"/> EXPRESS MAIL</p>	<p><b>ARTICLE NUMBER</b></p>
<p>(Always obtain signature of addressee or agent)</p> <p>I have received the article described above.</p> <p><b>SIGNATURE</b> <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent</p>	
<p>5. <b>DATE OF DELIVERY</b> 7/7/89</p>	<p><b>POSTMARK</b> (may be on reverse side)</p>
<p>6. <b>ADDRESSEE'S ADDRESS</b> (Only if requested)</p>	
<p>7. <b>UNABLE TO DELIVER BECAUSE:</b></p>	<p>7a. <b>EMPLOYEE'S INITIALS</b></p>

\* GPO: 1982-378-693

<p>● <b>SENDER:</b> Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.</p>	
<p><b>(CONSULT POSTMASTER FOR FEES)</b></p> <p>1. The following service is requested (check one). <span style="float: right;">90¢</span></p> <p><input checked="" type="checkbox"/> Show to whom and date delivered .....</p> <p><input type="checkbox"/> Show to whom, date, and address of delivery .....</p> <p>2. <input type="checkbox"/> <b>RESTRICTED DELIVERY</b> ..... (The restricted delivery fee is charged in addition to the return receipt fee.)</p> <p style="text-align: right;"><b>TOTAL \$ 90¢</b></p>	
<p>3. <b>ARTICLE ADDRESSED TO:</b> Joe E. Martinez, Jr. P. O. Box 1303 Pagosa Springs, CO 81147</p>	
<p>4. <b>TYPE OF SERVICE:</b></p> <p><input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED</p> <p><input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD <span style="float: right;">P841883200</span></p> <p><input type="checkbox"/> EXPRESS MAIL</p>	<p><b>ARTICLE NUMBER</b></p>
<p>(Always obtain signature of addressee or agent)</p> <p>I have received the article described above.</p> <p><b>SIGNATURE</b> <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent</p>	
<p>5. <b>DATE OF DELIVERY</b> 7-7-89</p>	<p><b>POSTMARK</b> (may be on reverse side)</p>
<p>6. <b>ADDRESSEE'S ADDRESS</b> (Only if requested)</p>	
<p>7. <b>UNABLE TO DELIVER BECAUSE:</b></p>	<p>7a. <b>EMPLOYEE'S INITIALS</b></p>

\* GPO: 1982-378-693

# McHUGH

Jerome P. McHugh & Associates  
Operating Affiliate: Nassau Resources, Inc.  
650 South Cherry, Suite 1225  
Denver, Colorado 80222  
(303) 321-2111 FAX (303) 321-1563

June 29, 1989

CERTIFIED - Return Receipt Requested

Mr. Edward S. Gallegos, Jr.  
6468 West Arbor Drive  
Littleton, Colorado 80123

Mr. Joe E. Martinez, Jr.  
P. O. Box 1303  
Pagosa Springs, Colorado 81147

Mr. Demetrio Martinez  
c/o Joe E. Martinez, Jr.  
P. O. Box 1303  
Pagosa Springs, Colorado 81147

Gentlemen:

Jerome P. McHugh, through its operating entity Nassau Resources, Inc., plans to drill an approximate 4100' Fruitland Coal test in the SW/4NE/4 of Section 15-T32N-R4W by mid-August. The proposed drilling/spacing unit for the well is the E/2 of Section 15.

The county records indicate that each of you own 6 net mineral acres, more or less, in the following lands:

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4

As you can see from the attached map, the above described acreage falls within our proposed drilling unit.

We are hereby proposing that you consider one of the two following alternatives:

1. Enclosed are three (3) original Oil and Gas Lease instruments covering your interest in the E/2NE/4, NE/4SE/4 of Section 15-T32N-R4W. Also enclosed is our draft in the amount of \$174.00, being \$25/net mineral acre for your 6 mineral acres (total \$150) plus four years of delay rentals (total \$24). Our lease provides for a five (5) year term and a 1/8th royalty. In conjunction with said lease, enclosed are six (6) Ratification and Joinder instruments for our Carracas Canyon Unit that need to be executed as well as our

Ms. Edward S. Gallegos, Jr., et al  
June 29, 1989  
Page Two

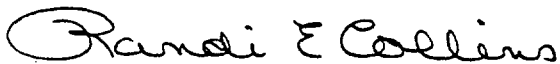
-OR-

2. Enclosed are two original Authority for Expenditure (AFE) instruments No. A52202. In the event you elect not to lease with us, you may elect to join as a paying and participating working interest owner in our well. Based on your 6 net acres in the drilling unit, you may join for 1.875% (6 acres ÷ 320 acres) of the drilling and completion costs, being \$7,706.25. If this is your election, please execute and date one copy of the AFE instrument returning it to my attention, at which time I will forward the remaining documentation for your participation.

We request that you respond in writing to this proposal by July 15, 1989. Failure to do so will leave us no alternative but to request that this well be put on the August 9, 1989 docket of the New Mexico Oil Conservation Commission for a forced pooling action.

Feel free to call me at (303) 321-2111 should you have any questions.

Very truly yours,



Randi E. Collins  
for Kent C. Craig

KCC/rc

enclosures

THIS IS A COLLECTION ITEM  
NOT A CASH ITEM

CUSTOMER'S DRAFT  
With privilege of Re-Draft

COLLECT DIRECTLY THROUGH Post Office Box 1011, Brighton, Colorado

P. O. Box 1011  
Aurora, CO 80011

DATE April 22, 1974

Thirty (30) Days After Sight and Subject to Approval of Title

Pay to the Order of Joe E. Hartman, Jr. \$ 17,000.00

One Hundred Seventy-Four and 00/100 DOLLARS  
With Exchange

Consideration for Oil & Gas Lease, 1 year, minimum

To: Gerome P. McHugh & Associates  
144 Southberry St., Suite 1255  
Denver, Colorado 80202

1000 1/2 100/100

Description:

DETACH BEFORE PRESENTING FOR PAYMENT

1000 1/2 100/100  
T.O. 211 L/TA/A, NT/ 55/4

County Hill County  
State North Dakota  
Gross Acres 1  
Net Acres 1

OFFICE COPY



AND  
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Carracas Canyon Unit Area, County of Rio Arriba, State of New Mexico, dated January 27, 1987, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Joe E. Martinez, Jr.

Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared Joe E. Martinez, Jr., to me known to be the person who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My commission expires: \_\_\_\_\_

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Joe E. Martinez, Jr.

whose post office address is P. O. Box 1303, Pagosa Springs, CO 81147, hereinafter called Lessor (whether one or more) and  
Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222, hereinafter called Lessee;

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

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4  
Section 10: Lots 6(28.37), 7(28.26),  
8(28.28)  
Section 14: NW/4SW/4

and containing 244.91 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Joe E. Martinez, Jr.

NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

DATE: 27 JUNE 1989  
LSE NAME: CARRACAS CANYON UNIT  
LOCATION: SW NE SEC 15, T32N R04W  
OPERATOR: NASSAU RESOURCES, INC.  
DESCRIPTION: 4100' FRUITLAND COAL TEST

AFE NO.: A52202  
WELL NO.: 15 B-7  
COUNTY: RIO ARRIBA  
STATE: NEW MEX.

ACCOUNTING CODE	EXPENDITURE DESCRIPTION	TANGIBLE COST	INTANGIBLE COST	LEASEHOLD COSTS
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A-60105	TITLE COSTS	XXXXXXXXXX	XXXXXXXXXX	2,000
A-60202	LEGAL COSTS/SURFACE DAMAGES	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60203	SURVEYOR/ARCHEOLOGIST/ROADS/LOCATION	XXXXXXXXXX	20,000	XXXXXXXXXX
A-60204	CONTRACT DRILLING	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60205	MUD/CHEMICALS/ADDITIVES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60206	WATER/PURCHASE/TRANSPORTATION	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60207	OPEN HOLE LOGGING	XXXXXXXXXX	8,500	XXXXXXXXXX
A-60208	MUD LOGGING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60209	DST/FORMATION TESTING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60210	CORING/CORE ANALYSIS	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60211	TRUCKING/HAULING/CATWORK	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60212	CEMENTING SERVICES	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60213	RENTAL TOOLS AND EQUIPMENT	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60214	PROF SERVICES AND EXPENSES	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60215	SUPERVISION/OVERHEAD	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60216	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	1,500	XXXXXXXXXX
A-60217	PLUG/ABANDON/CLEANUP	XXXXXXXXXX	0	XXXXXXXXXX
A-60218	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	3,000	XXXXXXXXXX
A-60302	CASING, SURFACE &/OR CONDUCTOR	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60303	CASING, INTERMEDIATE	0	XXXXXXXXXX	XXXXXXXXXX
A-60304	FLOAT EQUIPMENT & CENTRALIZERS	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60305	CASING HEAD/ DRILLING FLANGE	0	XXXXXXXXXX	XXXXXXXXXX
A-60306	NON-CONTROLLABLE EQUIPMENT	0	XXXXXXXXXX	XXXXXXXXXX

DRY HOLE COST: TOTAL \$114,000 <<< 0 112,000 2,000

A-60231	CEMENTING SERVICES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60232	COMPLETION UNIT/POWER SWIVEL/PUMP/PITS	XXXXXXXXXX	15,000	XXXXXXXXXX
A-60233	PERFORATING AND CASED HOLE LOGGING	XXXXXXXXXX	3,500	XXXXXXXXXX
A-60234	FORMATION TREATING/FRAC/ACID	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60235	RENTAL TOOLS & EQUIPMENT	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60236	DIRT WORK/CONSTRUCTION	XXXXXXXXXX	500	XXXXXXXXXX
A-60237	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60238	SUPERVISION/OVERHEAD	XXXXXXXXXX	4,000	XXXXXXXXXX
A-60239	PROFESSIONAL SERVICES & EXPENSES	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60240	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60331	CASING, PRODUCTION &/OR LINER	25,000	XXXXXXXXXX	XXXXXXXXXX
A-60332	FLOAT EQUIPMENT & CENTRALIZERS	0	XXXXXXXXXX	XXXXXXXXXX
A-60333	TUBING/PACKER/SPECIAL SUBSURFACE EQUIP	9,000	XXXXXXXXXX	XXXXXXXXXX
A-60334	RODS/PUMP/AUXILLARY EQUIP	6,000	XXXXXXXXXX	XXXXXXXXXX
A-60335	TUBING HEAD/CHRISTMAS TREE	7,000	XXXXXXXXXX	XXXXXXXXXX
A-60336	PUMPING UNIT/PRIME MOVER/COMPRESSOR	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60337	TANKS/STAIRWAY/WALKWAY	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60338	SEPARATOR/TREATOR/PRODUCTION UNIT	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60339	PIPELINE/POWERLINE	80,000	XXXXXXXXXX	XXXXXXXXXX
A-60340	VALVES/FITTINGS/LINE PIPE	2,000	XXXXXXXXXX	XXXXXXXXXX
A-60341	NON-CONTROLLABLE EQUIP/MISC EQUIP	500	XXXXXXXXXX	XXXXXXXXXX
A-60342	TRUCKING/HAULING/TRANSPORTATION	1,500	XXXXXXXXXX	XXXXXXXXXX

COMPLETION COSTS: TOTAL \$297,000 <<< 191,000 106,000 0

TOTAL WELL COSTS: \$411,000 <<< 191,000 218,000 2,000

WORKING INTEREST PARTNER APPROVALS:

Joe E. Martinez, Jr. 1.875%

BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
TITLE

McHUGH APPROVALS:

LAND ENGR. ACCT. PRES. FIELD  
APPR. BY: \_\_\_\_\_

THIS IS A COLLECTION ITEM  
NOT A CASH ITEM

COLLECT DIRECTLY THROUGH United Bank of Buckingham Square

P. O. Box 31205  
Aurora, CO 80041

DATE June 22, 1999

Thirty (30) Days After Sight and Subject to Approval of Title

Pay to the Order of Demetrio Martinez \$ 174.00

One Hundred Seventy-Four and NO/100----- DOLLARS

With Exchange

Consideration for Oil & Gas Lease, 5 year, paid-up

To: Jerome P. McHugh & Associates  
650 S. Cherry St., Suite 1225  
Denver, Colorado 80222

Randi E. Collins

Description:

DETACH BEFORE PRESENTING FOR PAYMENT

County Bio Arriba

State New Mexico

Gross Acres 120

Net Acres 6

132N-R4W

Sec. 15: E/2NE/4, NE/4SE/4

OFFICE COPY

NASSAU RESOURCES, INC. - AUTHORITY FOR EXPENDITURE

DATE: 27 JUNE 1989  
LSE NAME: CARRACAS CANYON UNIT  
LOCATION: SW NE SEC 15, T32N R04W  
OPERATOR: NASSAU RESOURCES, INC.  
DESCRIPTION: 4100' FRUITLAND COAL TEST

AFE NO.: A52202  
WELL NO.: 15 B-7  
COUNTY: RIO ARRIBA  
STATE: NEW MEX.

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ACCOUNTING CODE	EXPENDITURE DESCRIPTION	TANGIBLE COST	INTANGIBLE COST	LEASEHOLD COSTS
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A-60204	CONTRACT DRILLING	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60205	MUD/CHEMICALS/ADDITIVES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60206	WATER/PURCHASE/TRANSPORTATION	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60207	OPEN HOLE LOGGING	XXXXXXXXXX	8,500	XXXXXXXXXX
A-60208	MUD LOGGING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60209	DST/FORMATION TESTING	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60210	CORING/CORE ANALYSIS	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60211	TRUCKING/HAULING/CATWORK	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60212	CEMENTING SERVICES	XXXXXXXXXX	INCL	XXXXXXXXXX
A-60213	RENTAL TOOLS AND EQUIPMENT	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60214	PROF SERVICES AND EXPENSES	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60215	SUPERVISION/OVERHEAD	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60216	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	1,500	XXXXXXXXXX
A-60217	PLUG/ABANDON/CLEANUP	XXXXXXXXXX	0	XXXXXXXXXX
A-60218	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	3,000	XXXXXXXXXX
A-60302	CASING, SURFACE &/OR CONDUCTOR	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60303	CASING, INTERMEDIATE	0	XXXXXXXXXX	XXXXXXXXXX
A-60304	FLOAT EQUIPMENT & CENTRALIZERS	INCL	XXXXXXXXXX	XXXXXXXXXX
A-60305	CASING HEAD/ DRILLING FLANGE	0	XXXXXXXXXX	XXXXXXXXXX
A-60306	NON-CONTROLLABLE EQUIPMENT	0	XXXXXXXXXX	XXXXXXXXXX

DRY HOLE COST: TOTAL \$114,000 <<< 0 112,000 2,000

A-60231	CEMENTING SERVICES	XXXXXXXXXX	10,000	XXXXXXXXXX
A-60232	COMPLETION UNIT/POWER SWIVEL/PUMP/PITS	XXXXXXXXXX	15,000	XXXXXXXXXX
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A-60234	FORMATION TREATING/FRAC/ACID	XXXXXXXXXX	55,000	XXXXXXXXXX
A-60235	RENTAL TOOLS & EQUIPMENT	XXXXXXXXXX	2,000	XXXXXXXXXX
A-60236	DIRT WORK/CONSTRUCTION	XXXXXXXXXX	500	XXXXXXXXXX
A-60237	CONTRACT SERVICES/SUPPLIES	XXXXXXXXXX	10,000	XXXXXXXXXX
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A-60239	PROFESSIONAL SERVICES & EXPENSES	XXXXXXXXXX	1,000	XXXXXXXXXX
A-60240	MISCELLANEOUS/CONTINGENCIES	XXXXXXXXXX	5,000	XXXXXXXXXX
A-60331	CASING, PRODUCTION &/OR LINER	25,000	XXXXXXXXXX	XXXXXXXXXX
A-60332	FLOAT EQUIPMENT & CENTRALIZERS	0	XXXXXXXXXX	XXXXXXXXXX
A-60333	TUBING/PACKER/SPECIAL SUBSURFACE EQUIP	9,000	XXXXXXXXXX	XXXXXXXXXX
A-60334	RODS/PUMP/AUXILLARY EQUIP	6,000	XXXXXXXXXX	XXXXXXXXXX
A-60335	TUBING HEAD/CHRISTMAS TREE	7,000	XXXXXXXXXX	XXXXXXXXXX
A-60336	PUMPING UNIT/PRIME MOVER/COMPRESSOR	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60337	TANKS/STAIRWAY/WALKWAY	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60338	SEPARATOR/TREATOR/PRODUCTION UNIT	20,000	XXXXXXXXXX	XXXXXXXXXX
A-60339	PIPELINE/POWERLINE	80,000	XXXXXXXXXX	XXXXXXXXXX
A-60340	VALVES/FITTINGS/LINE PIPE	2,000	XXXXXXXXXX	XXXXXXXXXX
A-60341	NON-CONTROLLABLE EQUIP/MISC EQUIP	500	XXXXXXXXXX	XXXXXXXXXX
A-60342	TRUCKING/HAULING/TRANSPORTATION	1,500	XXXXXXXXXX	XXXXXXXXXX

COMPLETION COSTS: TOTAL \$297,000 <<< 191,000 106,000 0

TOTAL WELL COSTS: \$411,000 <<< 191,000 218,000 2,000

=====

WORKING INTEREST PARTNER APPROVALS:

Demetrio Martinez 1.875%

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

TITLE

=====

McHUGH APPROVALS:

LAND ENGR. ACCT. PRES. FIELD

APPR. BY: \_\_\_\_\_

AND  
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Carracas Canyon Unit Area, County of Rio Arriba, State of New Mexico, dated January 27, 1987, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Demetrio Martinez

Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ ) ss.

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared Demetrio Martinez, to me known to be the person who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My commission expires: \_\_\_\_\_



OIL AND GAS LEASE

AGREEMENT, Made and entered into the 29th day of June, 1989, by and between  
Demetrio Martinez

c/o Joe E. Martinez, Jr. 81147  
whose post office address is P. O. Box 1303, Pagosa Springs, CO  
Kindermac Partners, a Colorado general partnership, whose post office address is 650 S. Cherry St., Suite 1225, Denver, CO 80222

WITNESSETH, That the Lessor, for and in consideration of Ten and more DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Rio Arriba

State of New Mexico, described as follows, to-wit:

Township 32 North, Range 4 West  
Section 15: E/2NE/4, NE/4SE/4  
Section 10: Lots 6(28.37), 7(28.26),  
8(28.28)  
Section 14: NW/4SW/4

and containing 244.91 acres, more or less, five

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Demetrio Martinez

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to: Demetrio Martinez c/o Joe E. Martinez, Jr. P. O. Box 1303 Pagosa Springs, CO 81147	4. Article Number P 841883214
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Demetrio Martinez</i>	
7. Date of Delivery <i>7/27/89</i>	

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).  
☒ Show to whom and date delivered ..... 90¢  
☐ Show to whom, date, and address of delivery ..  
☐ RESTRICTED DELIVERY .....  
 (The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ 90¢

3. ARTICLE ADDRESSED TO: Demetrio Martinez  
c/o Joe E. Martinez, Jr.  
P. O. Box 1303  
Pagosa Springs, CO 81147

4. TYPE OF SERVICE: ☐ REGISTERED ☐ INSURED  
☒ CERTIFIED ☐ COD  
☐ EXPRESS MAIL  
 ARTICLE NUMBER P841883207  
 (Always obtain signature of addressee or agent)

I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent  
*Demetrio Martinez*

5. DATE OF DELIVERY *7/27/89* POSTMARK (may be on reverse side)

6. ADDRESSEE'S ADDRESS (only if requested)

7. UNABLE TO DELIVER BECAUSE:

7a. EMPLOYEE'S INITIALS *LS*

PS Form 3811, July 1982 RETURN RECEIPT