

OIL AND GAS LEASE

THIS AGREEMENT, entered into this 14th day of September, 1977, between LVELYN BRIMMALL NIELSEN, P. O. Box 414, Fruitland, New Mexico, hereinafter called Lessor, and R. A. CRANE, JR., d/b/a Craneco Oil and Gas, P. O. Box 356, Fruitland, New Mexico 87416, hereinafter called Lessee,

W I T N E S S E T H:

1. That Lessor, for and in consideration of the sum of One Dollar (\$1.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the Lessee, has this day granted and leased and hereby grants, lease and lets unto the Lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipelines, building tanks and storing oil and to produce, save and market the same from and on the following described tract of land in San Juan County, New Mexico, to-wit:

The SE 1/4 SE 1/4, Section 3, Township 29 North, Range 15 West, N.M.P.M., and containing 40 acres, more or less, to a depth of 4,500 feet below the surface of the earth and no deeper.

2. This lease shall remain in force for a term of six (6) months from and after the date hereof and so long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The Lessee shall deliver to the crude oil purchaser for the credit of the Lessor as royalty, free of all costs including transportation costs the equal one quarter (1/4) of all oil and other liquid hydrocarbons produced and saved from the leased premises, and said crude oil purchasers shall make direct payment to Lessor for said one quarter (1/4) part of all such oil and other liquid hydrocarbons at the market price F.O.B. the refinery not later than the 20th day of the month following the month

during which said oil and other liquid hydrocarbons were produced.

4. The Lessee shall pay Lessor, as royalty, one quarter (1/4) of the proceeds from the sale of all natural gas or casing-head gas produced, saved and sold from the leased premises.

5. Notwithstanding any provision contained herein to the contrary, this Lease shall terminate as to both parties unless the Lessee shall commence operations to re-enter the existing well located on the leased premises within sixty (60) days after the date hereof, and it is expressly understood and agreed that Lessee is not authorized by this Lease to drill a new well or a substitute well at any location on the leased premises without prior express permission to do so from Lessor, in writing, and Lessee shall not be authorized to occupy or use any portion of the leased premises other than that described on the plat attached hereto as Exhibit "A" and made a part hereof for all purposes, it being the understanding of the parties hereto that the sole purpose of this Lease is to permit the Lessee to re-enter the existing well on the leased premises and attempt to obtain commercial production therefrom.

6. Lessee agrees to fence the well location described in Exhibit "A" attached hereto in a manner satisfactory to Lessor, and Lessee further agrees to install adequate and satisfactory culverts in all irrigation ditches over which it is necessary for Lessee to gain access to the subject well location.

7. Lessee further agrees that the well location will at all times be kept and maintained in a neat and clean condition so as not to interfere with the surface use of the leased premises.

8. Lessee further agrees that upon plugging and abandoning the subject well, the well location will be cleared of all oil-field equipment and debris and restored to its original condition

so far as it is reasonably practicable to do so.

9. Lessee further agrees that it will not permit or allow any produced water or other oil well by-products to go beyond the well location described in Exhibit "A" attached hereto or in any way adversely affect the surface use of the leased premises.

10. Lessor hereby warrants and agrees to defend the title to the land herein described; and in case said Lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said Lessor only in the proportion which his interest bears to the whole and undivided fee.

11. When required by Lessor, the Lessee shall bury pipelines below plow depth and shall pay for damages cause by its operations to the surface of said lands. Lessee shall have the right at any time during, or thirty (30) days after the expiration of, this Lease to remove all machinery, fixtures and other personal property placed on the leased premises by Lessee.

12. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the royalties shall be binding on the Lessee until after notice to the Lessee and it has been furnished with the written transfer or assignment of a certified copy thereof.


13. If within the term of this Lease commercial productions on the leased premises shall cease from any cause, this Lease shall not terminate provided Lessee commences operations within thirty (30) days after such cessation to re-work the existing well on the premises and re-establishes commercial productions within sixty (60) days thereafter. Failure of the Lessee to comply with


the provisions of this paragraph shall result in automatic termination of this Lease.

14. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire lease acreage. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this Lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. If at any time there be as many as four parties entitled to royalties, Lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the Lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

15. This Lease shall not be terminated, in whole or in part, nor shall Lessee be held liable in damages, for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of, any Federal or State laws, executive orders, rules or regulations.

IN WITNESS WHEREOF the undersigned have hereunto set their hands on the day and year first above written.


R. A. CRANE, JR.


EVELYN BRIMHALL NIELSEN

STATE OF VIRGINIA)
) ss.
COUNTY OF Fairfax)

The foregoing instrument was acknowledged before me by Evelyn Brinkhall Nielsen, this 20 day of Sept, 1977.

Jerome C. Mantus
NOTARY PUBLIC

My Commission Expires:

My Commission Expires April 30, 1981

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 15th day of September, 1977, by R. A. Crane, Jr.

Luzena Maria Anderson
NOTARY PUBLIC

My Commission Expires:

October 22, 1979

FILED OR RECORDED
BOOK 797 PAGE 56
SAN JUAN COUNTY, NEW MEXICO
OCT. 28, 1977
AT 5:20 O'CLOCK P. M.
San Juan County Clerk
COUNTY CLERK
32631 Fee 8.00
FERNLY

STATE OF NEW MEXICO) ss
COUNTY OF SAN JUAN)
I hereby certify that the foregoing
"Oil & Gas Lease"

is a true copy of the original on file in my
said office this 28th day of

Oct. 19 77
San Juan County Clerk
Clerk

Registered Professional Engineers And Land Surveyors
In New Mexico, Colorado, Utah, Arizona
and Oklahoma

Phone (505)-325-7535 P. O. Box 752
FARMINGTON, NEW MEXICO 87401

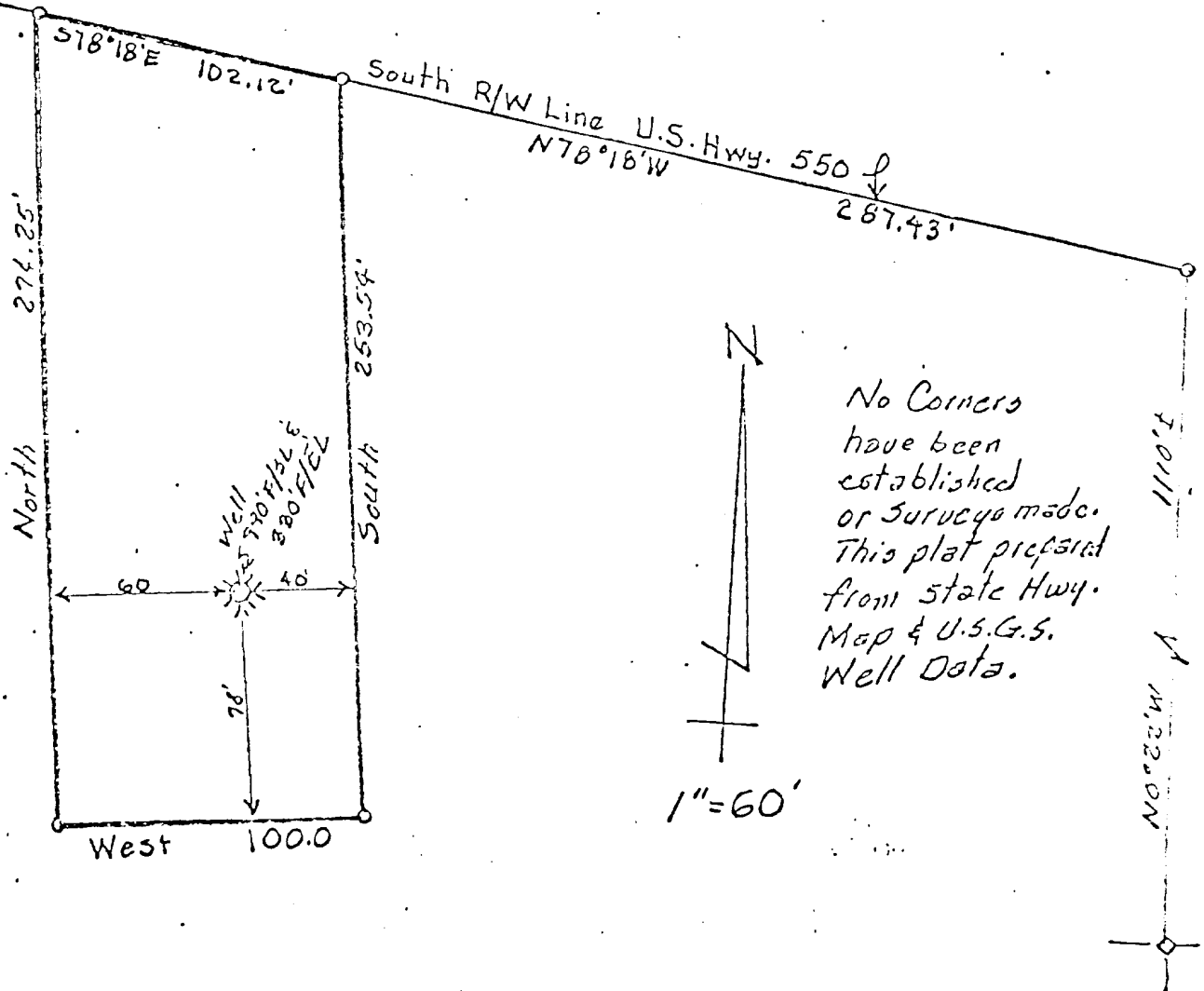
CERTIFICATE OF SURVEY

I, James P. Leese, a duly qualified Land Surveyor licensed under the laws of the State of New Mexico
do hereby certify that, on the 13th day of May, 1974, I did check the boundaries of
that certain piece of property standing in the name of JOHN BRIDGEMAN

and more particularly described as follows, to-wit: A tract of Land in the SE/4 SE/4 of Sec. 3,
T29N, R15W, N.M.P.M., San Juan County, New Mexico, described as follows:
Beginning at a point on the South R/W line of U.S. Hwy. No. 550, which point is
1110', more or less N0°22'W and 287.43' N78°18'E from the Southeast Corner of
said Sec. 3;

Thence South 253.54'; Thence West 100.0'; Thence North 274.25' more
or less to a point on said R/W line; Thence along said R/W line, S78°18'E
102.12' to the point of beginning.

That no encroachment exist on said property; that, to the best of my knowledge and belief, all restrictions
applicable to said property have been complied with, and that the building..... thereon situate fall..... within the
exterior boundaries thereof and in the manner set forth on the below inscribed plat, to-wit:



In witness whereof I have hereunto set my hand and seal this 13th day of May, 1974

James P. Leese
JAMES P. LEESE

Registered Professional Engineer and Land Surveyor
New Mexico, Reg. No. 1401 P. E. & L. S.
Colorado, Reg. No. 1655 L. S.
Utah, Reg. No. 1472 L. S.
California, Reg. No. 1535 L. S.