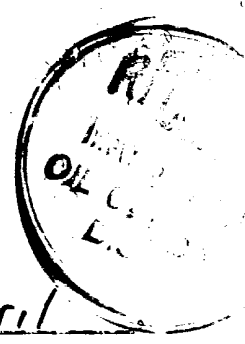


COMMUNITIZATION AGREEMENT



THIS AGREEMENT, made and entered into this 16 day of April 1951, by and between SOUTHERN UNION GAS COMPANY, a corporation with offices in Dallas, Texas, and QUILMAN B. DAVIS, and his wife, MARGARET A. DAVIS, of Dallas, Texas (hereinafter sometimes referred to collectively as "Lessees"), SEARCY L. CRANDELL and her husband, PAUL L. CRANDELL, of Rankin, Texas, and the SUNSHINE ROYALTY COMPANY, a corporation with offices in Roswell, New Mexico (hereinafter sometimes referred to collectively as "Override Owners"), in order to form a cooperative drilling unit of three-hundred and twenty (320) acres, more or less, for the purpose of conserving the oil and/or gas resources thereunder:

W I T N E S S E T H :

WHEREAS, Southern Union Gas Company is the present owner and holder of that certain oil and gas lease executed by John A. Pierce and wife, Katharine L. Pierce, as Lessors, in favor of Southern Union Production Company, as Lessee, under date of April 19, 1949, embracing (among other lands) the following described land in San Juan County, New Mexico:

**NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and NE $\frac{1}{4}$  of SW $\frac{1}{4}$  of Section 30, Township 31 North, Range 10 West, N.M.P.M., containing 80 acres, more or less; and**

said lease being recorded in Book 135, page 303, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, Section 5 of said oil and gas lease provides for the pooling by the Lessee of the lands covered thereby as follows, to-wit:

Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land herein leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof of Lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part or all of the land hereby leased, which Lessee shall designate as constituting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land herein leased is located a written designation of such Pooled Unit, indicating the Unit so created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address. provided that no

Pooled Unit shall embrace more than 320 surface acres. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or reform other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall, any provision herein to the contrary notwithstanding, be thereafter computed and paid upon that portion of such production which bears the same ratio to the total as the number of acres herein leased and included in such Pooled Unit bears to the total number of acres comprising said Pooled Unit. Prior to the commencement of actual drilling thereon, a Pooled Unit may be altered by lessee in any way, dissolved and re-formed, by filing an appropriate notice thereof with the County Clerk with whom the original designation of such Pooled Unit was filed and mailing a copy of same to lessor at his last known address. After drilling has been commenced on a Pooled Unit, such Pooled Unit may not thereafter be altered or dissolved without the written consent of lessor. Lessee shall not, however, be liable to any party for alteration or dissolution of a Pooled Unit resulting from loss of its title or any cause beyond the control of lessee.

a photostatic copy of such lease and the assignment thereof to Southern Union Gas Company being attached hereto, marked Exhibit "A" and "B", respectively, and made a part hereof for all purposes; and

WHEREAS, Quilman B. Davis is the present owner and holder of U. S. Oil and Gas Lease Santa Fe Serial No. 078134, executed in favor of Searcy L. Crandell, as Lessee, under date of December 1, 1947, by the United States of America, as Lessor, embracing, (among other lands) the following described land in San Juan County, New Mexico:

**$\frac{N\frac{1}{2}}$  of  $NW\frac{1}{4}$ ,  $SE\frac{1}{4}$  of  $SW\frac{1}{4}$ , and Lots 2, 3 and 4 of Section 30, Township 31 North, Range 1 East, N.M.P.M., containing 80 acres, more or less; and**

WHEREAS, Searcy L. Crandell is the present owner and holder of an overriding royalty under Oil and Gas Lease Santa Fe Serial No. 078134 of one and one-fourth per cent ( $1\frac{1}{4}\%$ ) of the value, based upon the field market price at the well of the oil and/or gas produced, saved and marketed from said lease; and

WHEREAS, the Sunshine Royalty Company is the present owner and holder of an overriding royalty under Oil and Gas Lease Santa Fe Serial No. 078134 of one and one-fourth per cent ( $1\frac{1}{4}\%$ ) of the value, based upon the field mar-

ket price at the well, of the oil and/or gas produced, saved and marketed from said lease; and

WHEREAS, said overriding royalty interests constitute all overriding royalty interests existing on the hereinabove described leases and acreage; and

WHEREAS, said oil and gas leases are presently in good standing with all rentals paid to date; and

WHEREAS, Lessees and Override Owners desire to communitize their respective interests in the above described oil and gas leases in order to form one tract or unit described as follows:

Township 31 North, Range 10 West, N.M.P.M.

Section 30: W $\frac{1}{2}$

containing three-hundred and twenty (320) acres, more or less; and

WHEREAS, pursuant to Section 5 of the oil and gas leases hereinabove described, Southern Union Gas Company has or will file in the County Records of San Juan County, New Mexico, and mail or deliver to the present Lessors under said lease a Designation of Pooled Unit, indicating the unit so created and the tracts combined into such unit; and

WHEREAS, Quilman B. Davis has or will execute and file simultaneously herewith a Designation of Operator, naming and designating Southern Union Gas Company as the Operator of the Federal lands subject to this agreement and embraced under the oil and gas lease hereinabove described; and

WHEREAS, in order to be consistent with existing rules and regulations covering well spacing and production allowables, the parties hereto desire to operate the communitized unit for the purpose and intention of developing and producing dry gas and/or condensate in accordance with the terms and provisions of this agreement:

NOW, THEREFORE, in consideration of the premises and mutual advantages offered by this agreement, it is mutually covenanted and agreed by and between the parties hereto that the lands subject to this agreement shall be developed and operated for dry gas and/or condensate, as an entirety, with the under-

standing and agreement that the dry gas and/or condensate so produced from the communitized area shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed thereto. The royalties payable on the dry gas and/or condensate so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and/or condensate by reasons of the diverse ownership of the dry gas in and under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled off-setting said tract. Payment of rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this agreement, except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

Except as herein modified and changed said oil and gas leases hereinabove described shall remain in full force and effect as originally drawn.

It is further agreed that the completion, continued operation, or production of a well or wells for dry gas on the communitized tract shall be construed and considered as the completion, continued operation or production from each and all of the lands within and comprising said communitized tract and shall continue in full force and effect all and each of said leases hereinabove described as to the total acreage covered thereby, to the same extent as if production had been obtained on each of said leases.

It is further agreed that all production of dry gas and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. The provisions of this agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations which affect performance of any of the provisions of this agree-

ment and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

Southern Union Gas Company shall be the Operator of said communitized tract, and all matters of operation, adjustments between the parties hereto and payment of royalties and rentals shall be governed by the Operator.

This agreement shall be effective as of the date hereof, upon approval by the Director of the Geological Survey and shall remain in force and effect for a period of two (2) years and so long thereafter as dry gas and/or condensate is produced from any part of said communitized tract in paying quantities, provided that prior to production in paying quantities from said communitized tract and upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of Lessees.

This agreement may be executed in one or more counterparts by the parties hereto and all counterparts so executed shall be taken as a single agreement and shall have the same force and effect as if all parties had in fact executed but a single instrument.

Operator of said communitized tract hereby agrees to furnish the Secretary of the Interior or his duly authorized representatives with the log and history of any well or wells; the monthly report of operations; the statement of oil and gas runs and royalties, together with such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations for any well within the communitized tract.

Operator, in its operations hereunder, shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and an identical provision shall be incorporated in all subcontracts.

It is further agreed between the parties hereto that the Secretary of the Interior, or his representatives, shall have the right of supervision over all operations within the communitized tract to the same extent and degree as provided in the oil and gas lease under which the United States of

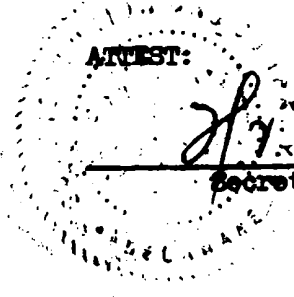
America is lessor and in the oil and gas regulations of the Department of the Interior.

The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

ATTEST:

  
H. M. One  
Secretary

SOUTHERN UNION GAS COMPANY

By

J. C. [Signature]  
Vice President

Quilman B. Davis  
Quilman B. Davis

Margaret A. Davis  
Margaret A. Davis, his wife

LESSEES

Searcy L. Crandell  
Searcy L. Crandell

Paul I. Crandell  
Paul I. Crandell, her husband

SUNSHINE ROYALTY COMPANY

By

E. M. Elliott  
President

OVERRIDE OWNERS

ATTEST:

  
E. M. Elliott  
Secretary

STATE OF TEXAS     )  
                              )  
COUNTY OF DALLAS    )

On this 20th day of April, 1951, before me personally appeared QUILMAN B. DAVIS and MARGARET A. DAVIS, his wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have set my hand and seal of office this 20th day of April, 1951.

My Commission Expires:

June 1, 1951

Faye Griffin  
Notary Public in and for  
Dallas County, Texas

STATE OF TEXAS     )  
                              )  
COUNTY OF Upton    )

On this 16 day of April, 1951, before me personally appeared SEARCY L. CRANDELL and PAUL L. CRANDELL, her husband, to me known to be the persons described in and who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have set my hand and seal of office this 16 day of April, 1951.

My Commission Expires:

June 1, 1951

Klan Runyan  
Notary Public in and for  
Upton County, Texas

STATE OF NEW MEXICO )

COUNTY OF Crow )

On this 18 day of April, 1951, before me appeared Billie, to me personally known, who, being by me duly sworn did say that he is the President of SUNSHINE ROYALTY COMPANY 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 Billie acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office this 18 day of April, 1951.

Edna Mae Brown  
Notary Public in and for  
Crow County, New Mexico

My Commission Expires:

5-21-53

STATE OF TEXAS )

COUNTY OF DALLAS )

On this 20th day of April, 1951, before me appeared J.C. Reed, to me personally known, who, being by me duly sworn did say that he is the One President of SOUTHERN UNION GAS COMPANY 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 J.C. Reed acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office this 20th day of April, 1951.

Jaye Guffey  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:

June 1, 1951.



## OIL AND GAS LEASE

AGREEMENT, Made and entered into the 19th day of April  
1949, by and between

John A. Pierce and Katharine L. Pierce, his wife

of Aztec, New Mexico hereinafter called lessor (whether one or  
 more), and Southern Union Production Company hereinafter called lessee:

## WITNESSETH:

1. That the said lessor, for and in consideration of Ten Dollars and other valuable consideration

cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of lessee to be kept and performed, has granted, demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessor for the sole and only purpose and with the exclusive right of exploring, drilling, mining, operating for and producing oil and gas, or either of them, and of laying pipe lines and of building tanks, power stations and structures thereon to produce, save and take care of said products or either of them, and for access to and operations on adjacent lands, all that certain tract of land situated in the County of San Juan, State of New Mexico, described as follows, to-wit:

Township 31 N., Range 10 West, N.M.P.M.

Section 30: SE $\frac{1}{4}$  NW $\frac{1}{4}$   
 S $\frac{1}{2}$  NE $\frac{1}{4}$   
 NE $\frac{1}{4}$  SW $\frac{1}{4}$

For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise One Hundred Sixty (160) acres, even though it actually may comprise more or less, but it is lessor's intention to lease, and he does lease hereby, in addition to the land above described, all of the land and interests in land owned by lessor adjoining the above described land and there-with forming a single tract, whether owned or claimed by inheritance, deed, gift, limitation or otherwise, and lessor expressly agrees to deliver to lessee any supplemental instrument deemed necessary or required by lessee for more complete or accurate description of the land and interests thus intended to be leased.

2. It is agreed that this lease shall remain in force for a term of Ten years from this date, said term being hereinafter called "Primary Term," and as long thereafter as oil and gas, or either of them, is produced or producible by the lessee from any well or wells existing on said land or any Pooled Unit hereunder.

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

- (a) To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect its or his wells, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises.  
 (b) To pay to lessor, as royalty for gas from each well where gas only is found, while such gas is being sold or used off the leased premises, one-eighth (1/8th) of the market price at the well of the amount so sold or used, and while not so sold or used, the sum of Fifty Dollars (\$50.00) per annum for each such well, payable on or before the first day of January following, and while such royalty is so paid such well shall be held to be a producing well within the meaning of paragraph 2 above. So long as this lease is in effect lessor may have gas free of charge from any gas well on the leased premises for all stoves and inside lights in the principal dwelling house on said land by making lessor's own connections with the well at lessor's own risk and expense.  
 (c) To pay to lessor as royalty for gas produced from any oil well and used by lessee for the manufacture of gasoline, one-eighth (1/8th) of the market value of such gas at the well. If such gas is sold by lessee, then lessee agrees to pay lessor, as royalty, one-eighth (1/8th) of the net proceeds derived from the sale of said casinghead gas at the well.

4. If drilling operations are not commenced on said land, or any Pooled Unit hereunder, on or before the 19 day of April, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor, or to the lessor's credit in the Citizen's Bank of Aztec Bank at Aztec, New Mexico the sum of \$ 160.00

or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of \$ 160.00 Dollars, which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for twelve (12) months, from said date. In like manner, and upon like payments or tenders the commencement of drilling operations may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

5. Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land here-  
 in leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof, of lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part or all of the land hereby leased, which lessee shall designate as constituting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land hereby leased is located a written designation of such Pooled Unit, indicating the Unit as created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address, provided that no Pooled Unit shall embrace more than one surface acre. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or re-form other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall, any provision herein to the contrary notwithstanding, be thereafter computed and paid upon that portion of such production which bears the same ratio to the total as the number of acres herein leased and included in such Pooled Unit bears to the total number of acres comprising said Pooled Unit. Prior to the commencement of actual drilling thereon, a Pooled Unit may be altered by lessee in any way, dissolved and re-formed, by filing an appropriate notice thereof with the County Clerk with whom the original designation of such Pooled Unit was filed and mailing a copy of same to lessor at his last known address. After drilling has been commenced on a Pooled Unit, such Pooled Unit may not thereafter be altered or dissolved without the written consent of lessor. Lessee shall not, however, be liable to any party for alteration or dissolution of a Pooled Unit resulting from loss of its title or any cause beyond the control of lessee.

6. Should the first well drilled under this lease, on the above described land or a Pooled Unit, be a dry hole, then and in that event, if a second well is not commenced on said land, or the same or another Pooled Unit, within twelve months after cessation of drilling or reworking operations on the first well, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon such resumption of the payment of rentals, paragraph No. 4 hereof shall apply as though there had been no interruption in the rental payments.

7. If, at the expiration of the Primary Term of this lease, oil or gas is not being produced or producible from any well existing on the leased premises, or on any Pooled Unit, but lessee is then engaged in drilling for oil or gas on said premises or any Pooled Unit, then this lease shall continue in force so long as drilling operations are being continuously prosecuted on the leased premises or the Pooled Unit(s) established hereunder; and drilling operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the abandonment of one well drilled under this lease, and the beginning of operations for the drilling of a subsequent well under this lease. If oil or gas shall be discovered and produced from any such well or wells drilled or being drilled at or after the expiration of the Primary Term of this lease, this lease shall continue in force so long as oil or gas shall be produced or producible from any well existing on the leased premises or any Pooled Unit.

8. It is specially agreed that in the event that oil or gas is being produced from said premises, or any Pooled Unit(s), after the expiration of the Primary Term hereof and said production shall for any reason cease or terminate, lessee shall have the right at any time within ninety (90) days from the cessation of such production to resume drilling operations in an effort to obtain further production under this lease, in which event this lease shall remain in force so long as such operations are continuously prosecuted, as defined in the preceding paragraph, and if they result in production of oil or gas, so long thereafter as oil or gas is being produced or producible from any well existing on the premises, or any Pooled Unit.

9. All rental and royalty payments provided for herein may be made by lessee's check, payable to lessor or to the above named depository for credit to the lessor's account, being mailed to lessor's last known address or to lessor's depository named hereinabove. Check or checks so mailed shall for all purposes affecting the terms of this lease be considered as payment or tender as of the time of such mailing.

10. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate or owns no interest therein, then the royalties and rentals herein provided for shall be paid the said lessor only in proportion which lessor's interest, if any, bears to the whole and undivided fee.

11. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for all operations thereon, or on any Pooled Unit, except from water wells of lessor. When requested by lessor, lessee shall bury its pipe lines constructed hereunder below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of the lessor. Lessee shall pay for damages caused by all operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises hereunder, including the right to draw and remove casing.

12. If the estate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly granted—the covenants hereof shall extend to its, his or their heirs, executors, administrators, successors, or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until the lessee has been furnished with a written transfer or assignment or a certified copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the leased premises and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease so far as it covers a part or parts of said land upon which the said lessee or any assignee thereof shall make due payment of said rental.

No. ....

# OIL AND GAS LEASE

FROM

TO

Dated ....., 19...

No. Acres .....

County, New Mexico

Term .....

This instrument was filed for record on the 21<sup>st</sup> day of April, 1949, at 11:45 o'clock A. M., and duly recorded in

Book 135 Page 303

of the Oil & Gas Commission of this office.

By *John A. Pierce* County Clerk.

By *John A. Pierce*

COMPARED Deputy.

When recorded return to

My commission expires July 22-1950

San Juan County, New Mexico  
Notary Public in and for  
*John A. Pierce*

In Witness Whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.  
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.  
John A. Pierce  
Katharine L. Pierce  
On this 19th day of April, 1949, before me personally appeared

## JOINT ACKNOWLEDGMENT

STATE OF New Mexico  
COUNTY OF San Juan

My commission expires

County, Notary Public in and for

In Witness Whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.  
he executed the same as  
to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged  
On this day of 1949, before me personally appeared

## SINGLE ACKNOWLEDGMENT

STATE OF  
COUNTY OF

LESSOR  
*John A. Pierce*

IN TESTIMONY WHEREOF, we sign this 19th day of April, 1949.  
13. Lessee shall have the exclusive right to build, operate and maintain pile, reservoir, pickup stations and plants for the purpose of picking up and conserving the waste oil that flows down the creek, ravine and across the land embraced in this lease, whether said oil is produced from land covered by this lease or other lands, and lessor shall be entitled to receive the royalty herebefore reserved on all such oil so saved.  
14. In case of any cancellation or termination of this lease for any cause whatsoever, the lease shall nevertheless remain in full force and effect as to forty (40) acres as nearly in the form of a square as practicable, to be designated by lease, around each oil or gas well producing being worked on or drilled hereunder, as long as such operations are continued in good faith.  
15. In the event lessor considers that lessor has not complied with all its obligations hereunder, whether express or implied, before production has been secured or after production has been secured, lessor shall notify lessee in writing, setting out specifically in what respects lessor has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice in writing, which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessor. Neither the service of said notice nor the doing of any acts by lessor aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessor has failed to perform all its obligations hereunder.  
16. Title to the minerals vested in lessor under this grant shall not and or revert to lessor until there is a complete, absolute and intentional abandonment by lessor of each and all of the purposes, expressed or implied, of this lease and every part and parcel of the premises described.  
17. Lessor hereby warrants and agrees to defend the title to the land herein described and the oil and gas mineral title therein, and agrees that the lessee shall have the right at any time to redeem or satisfy, in whole or in part, for lessor by payment any mortgages, taxes or other liens or interest and other charges on the above described lands in the event of default of payment by lessor and be subrogated to the rights of the holder of any acts by lessor aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessor has failed to perform all its obligations hereunder.  
18. Lessor hereby acknowledges that he has received from lessee for his own use and reference a true and correct copy of this lease.

ASSIGNMENT AND CONVEYANCE OF OIL AND GAS LEASE

THIS ASSIGNMENT, made and entered into this 23rd day of January, 1950, by and between Southern Union Production Company, a Delaware corporation with offices in Dallas, Texas (hereinafter referred to as "Assignor"), and Southern Union Gas Company, a Delaware corporation with offices in Dallas, Texas (hereinafter referred to as "Assignee"):

W I T N E S S E T H:

That the undersigned Assignor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations to it in hand paid by said Assignee, receipt of which is hereby confessed and acknowledged, does hereby sell, assign, transfer, set over and convey unto said Assignee, Assignee's transferees, successors and assigns, all of Assignor's right, title, interest and claim in, to and under that certain oil and gas lease made and entered into under date of April 19, 19 49, by and between John A. Pierce and Katharine L. Pierce, his wife

as Lessor(s) and Southern Union Production Company

as Lessee(s), recorded in Book 135, Page 303 of the Oil and Gas Records of San Juan County, New Mexico, insofar as said lease covers and embraces the following described lands situated in the County of San Juan, State of New Mexico, to-wit:

Township 31 North, Range 10 West, N.M.P.M.

Section 30: SE $\frac{1}{4}$  NW $\frac{1}{4}$ ; S $\frac{1}{2}$  NE $\frac{1}{4}$ ; NE $\frac{1}{4}$  SW $\frac{1}{4}$

embracing 160 acres, more or less, together with all rights and

privileges under or appurtenant to said lease, and together with all of Assignor's interest in any well or wells located on said lands or on lands embraced by any cooperative drilling or unitization agreement to which any of the above described lands have been committed; Subject, However, to any cooperative drilling or unitization agreement(s) to which said lease has been committed, in whole or in part, and to any and all overriding royalties and/or payments out of production heretofore created on said lease. It is the intention of Assignor by this instrument to transfer unto Assignee all of the rights, titles, interests and claims of Assignor in, to and under the above described oil and gas lease, whether or not such rights, titles, interests and claims are particularly described herein.

TO HAVE AND TO HOLD the interests herein transferred and assigned unto Assignee, Assignee's transferees, successors and assigns, forever.

For the same consideration, Assignor covenants with said Assignee that Assignor will warrant and forever defend the interests herein transferred and assigned unto said Assignee, Assignee's transferees, successors and assigns, against adverse claims of all persons whosoever holding or claiming, or to claim an interest thereinunder, by, through or under Assignor, but not otherwise and no further.

By its acceptance of this assignment, Assignee agrees to observe and comply with all provisions of said oil and gas lease and obligations imposed thereby.

IN WITNESS WHEREOF, this assignment is executed under its corporate seal by Southern Union Production Company, Assignor herein, acting by and through its proper officers hereunto duly authorized, on the day and year first hereinabove written.

SOUTHERN UNION PRODUCTION COMPANY

A T T E S T:

*[Signature]*  
Secretary


By *[Signature]*  
Vice President

APPROVED	
Legal	<i>[Signature]</i>
Engr.	<i>[Signature]</i>
Land	<i>[Signature]</i>

STATE OF TEXAS     )  
COUNTY OF DALLAS    )  SS.

On this 23 day of January, 1950, before me appeared \_\_\_\_\_  
J. C. Reid, to me personally known, who, being by me duly sworn  
did say that he is the Vice President of Southern Union Production Company  
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 \_\_\_\_\_  
J. C. Reid acknowledged said instrument to be the free  
act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office on this 23  
day of January, 1950.

  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:

June 1, 1951