## INVALID LEASES TAKEN BY SYNERGY OPERATING LLC HELD BY VALID LEASES BELONGING TO LANCE OIL & GAS COMPANY, INC.

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LANCE LEASE	DATE	BOOK / PAGE	SYNERGY LEASE	DATE	BOOK / PAGE
ROSE GALLEGOS	1/8/02	1338 / 257	EDWARD GALLEGOS	6/20/05	1414 / 291
DUGAN UEKERT	11/19/01	1338 / 270	DUGAN UEKERT	6/14/05	1412 / 507
KENNETH C. YOUELL	5/4/05	1411 / 949	KENNETH C. YOUELL	6/13/05	1412 / 510
JOHN J. HORN	11/19/01	1338 / 269	JOHN J. HORN	6/17/05	1412 / 502
WESLEY D. IPOCK	11/12/01	1338 / 280	WESLEY D. IPOCK	6/10/05	1412 / 503
JOSE G. GOMEZ	11/26/01	1338 / 295	JOSE G. GOMEZ	7/5/05	1413 / 586
THOMAS M. DINNING	4/20/02	1343 / 634	THOMAS M. DINNING	7/8/05	1412 / 499
THOMAS M. DINNING	5/10/05	1411/67	THOMAS M. DINNING	7/8/05	1412 / 499
DANNY R. SMITH	11/26/01	1338 / 271	DANNY R. SMITH	6/29/05	1413 / 208
ROBERT M. WHARTON	2/12/02	1313 / 641	ROBERT M. WHARTON	6/16/05	1412/696
JESSE W. GARDNER	11/26/01	1338 / 288	JESSE W. GARDNER	6/13/05	1314 / 205
SUSIE ROSE CHAVEZ	11/19/01	1338 / 290	SUSIE ROSE CHAVEZ	6/9/05	1412 / 498
SONDRA L. BALLARD	11/26/01	1338 / 268	JESSE WINTERS	6/14/05	1412 / 509

\* Blue tab, Lance : Yellow tab, Synergy

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13537</u> Exhibit No. 9 Submitted by: <u>LANCE OIL & GAS CO., INC.</u> Hearing Date: <u>August 25, 2005</u>

#### PU Lease 5/yr Term PRODUCERS 88-PAID UP

### OIL AND GAS LEASE

AGREEMENT, Made and ent	ered into the <u>8th</u>		January		, 20		and between
,,		-Augustine Colleges-	$\mathcal{D}$	0	Call.		RRH
			_ <u></u>		L'ACAC	500	01.0.0
Whose post office address is	1283 South Monterey Avenue F	erminaton New Mexico &	7401	herein	after called Lessor	(whether on	e or more) and

. hereinafter called Lessee: **Richardson Production Company** 

DOLLARS WITNESSETH. That the Lessor, for and in consideration of \_\_\_\_\_ Ten and more (\$10 & more) State of New Mexico described as follows, to-wit San Juan

# Township 29 North, Range 13 West, N.M.P.M. Section 22: Lands in the NW/4NW/4 as described on Exhibit "A" attached hereto and made a part hereof.

\*It is expressly understood that there shall be no surface use or occupancy of sold lands subject to this lease.

#### and containing \_\_\_\_\_\_ acres, more or less

1. It is agreed that this lease shall remain in force for a term of five (5) 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 than engaged in drilling or re-working operations thereon, then this lease shall continue in force as 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 within ninets if Lessee commences additional drilling or re-working operations within otherewith, 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 at the expiration of the primary term, of this lease shall continue in force so long as oil or gas as oil and produced as a result of such operations at or after the expiration of this lease, this lease shall continue in force so long as oil or gas as is produced from the leased premises or on acreage pooled therewith. there

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 h and the start of continue any operations during the primary term. Lesson may at any time or times during or after the primary term surrender this lesse 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 terminary term surrender this sub-angle or the strategies as the primary term. accruing as to the acreage surrendered. 3. In consideration of the premises the said Lessee cov

is. 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

Ist. To deliver to the credit of Lessor, the of cost, in the pupe line to while Lesson may connect the same is produced from the lessed premises. 2nd. To pay Lessor one-cipht (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 lesse next ensuing market rate is manifer on or before the anniversary date of this less next ensuing market rate in the countries in made there are no error of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lesse next ensuing market rate is made, it will be constituent that error is being and thereafter on or before the anniversary date of this lesse the text is being and the capable of some some and construction of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lesse to well is shut in fract the anniversary date of this lesse there and the capable of an error or before the anniversary date of this lesse to well is shut in and thereafter on or before the anniversary date of this lesse to well is shut in and thereafter on or before the anniversary date of this lesse to well is shut in and thereafter on or before the anniversary date of this lesse to well is shut in the meaning of this lesse.

date such weil is shut in and increater on or before the animyersary date of this lease during the period such weil is shut in. It 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 therein, then the royaltics (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.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
8. No well shall be drilled nearer than 200 foct to the house or barn now on said premises without written consent of Lessor.
9. Lessee shall pay for damages caused by Lesse's operauions 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 have been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a binding on Lessee. No present or future division of Lessor's ownership at Lessor's interest. (by assignment or otherwise) 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 constructive, shall be owner start or indicate the right and power at any time and from time to time as a rocurring right, either before or after production, so to any one or more of the formations hereunder, to pool or unitize the leaschold extent and the mineral estate covered by this see with other land, lease or lesses. Likewes, units previously for the production of such and gas, or separately for the production of either, when in the Lessee's using herein the distributed by lessee cancertaing and filling of record a declaration of such unitization are reformed to eschold estate and the mineral estate covered by this shall be accomplished by Lessee that in for want of a market anywhere on a suit which includes such anon-producing formations. The forming or reforming of any unit shall be accomplished by Lessee and any one or or anotected or you on thick includes such and provide such and provide and provide advection all describes the unit. Any unit may include family be reaser that in for want of a market anywhere on a suit which includes such anon-producing formations. The forming or reforming of

 All express or implied coverains of this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and this lease shall be subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and the subject to all Pederal and State Laws, Executive Orders, Rules or Regulations, and the subject to all pederal and state Laws, Executive Ord such Law, Order, Rule or Regulation

such Law, Order. Aule or Regulation. 14, Lessor hereby warraots 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 subtogated 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 hereini, 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.

Bille P Stalline	Tax ID No:	
Rose P. CANPEDS	OUNTY	
<u> </u>	FectD No.	
200204093 03/07/2002 02:11P 10f3 B1338 P257 R 9.00 D 3.00		

STATE OF ALL Medice ; COUNTY OF San War ; SS ACKDO	wiedgment – Individual(s)
BEFORE ME, the undersigned, a Notary Public, in and 2002, personally appeared	
to the information of the international person (s) described in and w acknowledged to me thatduly executed the duly executed the person of the perso	ho executed the within and foregoing instrument of writing and he same as free and voluntary act and deed for the use
My Commission Expires	hand and affixed by notarial seal the day and year last above written.
7-29-04 mmm	Address:
STATE OF} ss Ackno	wiedgment – Partnership/Trust
COUNTY OF}	wedgment – Fartuersuit/ 1 rust
, 2002, personally appeared	and for said County and State, on thisday
acknowledged to me thatduly executed the	he executed the within and foregoing instrument of writing and he same as free and voluntary act and deed for the us
and purposes therein set forth.	
and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my	hand and affixed by notarial seal the day and year last above written.
IN WITNESS WHEREOF, I have hereunto set my	
IN WITNESS WHEREOF, I have hereunto set my	hand and affixed by notarial seal the day and year last above written.
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AGREEMENT made effective this  $2l^{42}$  day of 20.05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is so out on the attached EXHIBIT and <u>Synergy Operating</u>, LLC. <u>P. O. Box 5513 Farmington. New Mexico 87499.</u>

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royaltics provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor bereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hercunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.
8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.
9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





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10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and

whether all parties named in the granting clause execute the Lease or not. 11. Lesse shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of 12. said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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		<u>,</u>	
STATE OF DUD MONICO	KNOWLEDGMENTS		
COUNTY OF DANSULAS			Contraction of the second s
On this 15 day of 11102.200	5_, before me personally appeare	A EDWARD 6	ALLEGOS
to me known to be the person described in and who exe executed same free act and de		nd acknowledged that	
Witness my hand and seal the day and year la		Buch	in
My Commission Expires:	Notary Public	a surge	Ľ
5/13/2007			
STATE OF)		-	(1
COUNTY OF REALER		9 H	The second states
On this day of <u>uni</u> , 200 to me known to be the person described in and who exc	<u>15</u> , before me personally appeare exited the foregoing instrument, a	nd acknowledged that	
executed same free act and de	eed.	Q	ALS ALO
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•	Notary Public	4boll	
	etpines	180/00 3	TO WILL TE MAN
STATE OF )			TO STATE CONTRACTOR
COUNTY OF) The foregoing instrument was acknowledged	I hafore mathic day of		
	of day of	, 20 <u>05</u> , on behalf of said	
Witness my hand and seal the day and year h	ast above written.		
My Commission Expires:	Notary Public		
STATE OF)			
SOUNTY OF )			
The foregoing instrument was acknowled	ged before me this day of	20 05	by
of	on beh	alf of said	
Witness my hand and ceal the days and seen t	last above written		
Witness my hand and seal the day and year I My Commission Expires:			
	Notary Public		

END OF ACKNOWLEDGMENTS



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#### GALLEGOS ERNIE D AND GALLEGOS ED 1203 S MONTEREY FARMINGTON NM, 87401-7401

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Property Address	Townshi	ip	Range	Section	QtrQtr	Acres
1203 S MONTEREY	29		13	22	NW NW	0.23
FARMINGTON NM, 87401-7401						
	Legal:					OF NW COR NW

Legal: BEG 757 FT E AND 618 FT S OF NW COR NW NW 22 29 13 W 186 FT, S 160 FT, E 66 FT, N 40 E 120 FT, N 120 FT B.1363 P.870 LESS 0.30 A *IN* B.856 P.91 LESS E 25 FT FOR MONTEREY **B883** P.612

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200513199 07 30f3 B1414 P San Juan County, N	291 R 13	. 00 0 1	0.00

PU Lease 5/yr Term Producers 88 Rev NMOZZ.433



200204106 03/07/2002 02:29P 1012 B1338 P270 R 7.00 D 3.00 San Juan County, NH Clerk FRAN HANHARDT

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#### **OIL AND GAS LEASE**

2001\_, by and between day of November 19th THIS AGREEMENT, Made and entered into this

Dugan and Susan Uekert, Trustees of the Dugan and Susan Uekert Living Trust dtd Sept. 29, 1998 hereinafter called Lessor (whether one or more) and

Whose post office address is PO Box 1477, Fruitland, NM 87416 Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lesser,

WITNESSETH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> 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 Lessor, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by goophysical and other methods, and operating for and producing therefore of and all gas of whatsoever sature or kind, with rights of way and essentents for laying pipe lines, and cretcion of structures therein to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u> described at Hillion's to wait, the said the said the same the said products and produces and the certain tract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u> described at Hillion's to wait, the same the same to produce and produces and

Township 29 North - Range 13 West, N.M.P.M. Section 22: A tract of land lying in the NW/4NW/4NW/4 of said Section 22, more particularly described as in BEGINNING at a point on the East line of Bowen Avenue, which point is East 557.0 feet and South/186.5 feet from the Northwest corner of said Section 22; llows: 2 4 from the Northwest con THENCE East 96 feet; £ .\*

THENCE South 70 feet; THENCE West 96 feet;

THENCE North 70 feet to the point of beginning.

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

and containing .2851 acres, more or less

It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased promises or on accreage 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 promises or on accreage 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 promises or on accreage pooled therewith but Lessee is than engaged in drilling or re-working operations thereon, then this lease, shall continue in face as long as operations thereon, then this we considered to be continuously prosecuted of or gas shall ease shall continue of the new that not than inset(90) days shall elasso between the completion or abandonment of one well and the beginning of operations thereon, this lease, then this is primary term, this lease shall continue in face as long as operations to therminate if Lessee commences additional drilling or re-working operations at a face the expination of day hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expination of the primary term. This lease shall continue in face os long as old or gas is produced fund that of completion or the minimate if Lessee commences additional drilling or re-working operations at or after the expination of the primary term. Lessee shall continue in face as long as old or gas is produced fund the Lessee that less the ball continue in face os long as old or gas is produced fund the Lessee that so therewith.
 This is a PAID-UP LEASE. In consideration of the down cash payment, Lessee grows during or start the primary term surrender this lease as to all or asy portion of and here account as to any strate or startam by delivering to Lesseor or by filing for r

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 produ-

and saved from the leased premises

Ist. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessoe may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and award from the 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.
3ed. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.
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 are retained hereunder, such payment or tender to be made on or before the anniversary date of this lesse encet ensuing after the expination of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lesse encet ensuing after the expination of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lesse next ensuing after the expination of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lesse next ensuing after the expination of 90 days from the date such well is shut in and thereafter on or before the anniversary date of the lessor owns a less interest in the above described land than the entire and undivided for simple therein, then the royahies (including any shut-in gas royahiy) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest how hole and undivided fee.
6. Lessee shall have the right at any time to remove a shift between show to the whole and undivided fee.
8. No well shall be child nearer than 200 feet to the boase or barn now on said la

on Lessee. No present or future division of Lesson's ownership as to different portions or parcels of sail land shall operate to enlarge the obligations or dusiash the rights of Lessee, and all Lesse's operations may be conducted without regard to any such division. If all or any part of the lesse his lesse is assigned, no lessehold owner shall be liable for any act or omission of any other lessehold owner. 12. Lessee, at its option is hereby gives 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 lessehold estate and the mineral estate covered by this lesse with other land, lesse or lesses in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lesse'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, lesse or lesses. Likewise, unit speciosly formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or revorking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lesse shall be troated as if it were production, drilling or reworking operations or a well shut in for want of a market ander this lesse. In lies of the royatites elsewhere herein specified, including shut-in gas royalites, Lessor shall receive on production from the right to unlitze, pool, or combine all or any part of the above described hads as to one or more of surface acres in such unit. In addition to the foregoing, Lessee shall have the oright to unlitze, pool, or combine all or any part of the above described hads as to one or more of surface acres in such unit. In addition to the foregoing, Lessee shall have the oright to unlitze, pool, or combine all or any part of the above described passt of Lessee. 12 the se

ame upon request as or implied cove by encounting the same upon request of Lesson. 13. All express or implied covenants of this lesse 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 redoern for Lessor.

14. Lessor bareby warrants and agrees to defend the tile to the lands herein described, and agrees that the Lessoe shall have the right at any time to redeem for Lessor, and agrees to a the parties who executed by, or if such failure is the result of, any 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 to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, 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 for which this lesse is made, as recited herein.
15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lesse, it shall nevertheless be binding upon all such parties who do execute this lesse. All the provisions of this lease shall binding on the herein, successors and assigns of Lessor and Lessee.
IN WITNERS WHEREOF, this instrument increated as of the described prove written. by payment, any mor thereof, and the under

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COIXSA 63, PUBLIC. 3 TAR -0-1 Dugan Su 5 0TA = 379-58-999 5-78-6014 2 : 55# ۵ 2 STAT

# 200204106 03/07/2002 02:29P 20f2 B1338 P270 R 7.00 D 3.00 San Juan County, NH Clerk FRAN HANHARDT

#### STATE OF }§

#### COUNTY OF

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_ day of , 2001, personally appeared \_

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\_\_\_\_ \_\_\_duly executed the same as\_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires:

and

Address

STATE OF NEW MEXICO. }5 COUNTY OF SAN JUAN

Acknowledgment - Partnership/Trust

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of 2001, personally appeared Dugan L Uekert & Susan K Uekert of

as they Kirtland NM 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 hey \_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 by notarial scal the day and year last above written.

My Commission Expires: May 4th, 2003

Address: ington 630 MM 87499 Box Raym

STATE OF 38 COUNTY OF

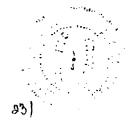
Acknowledgment - Corporation

BEFORE ME, the undersigned authority, this day personally appeared

to me personally known who being by me duly sworn did say that he is the \_ and that the seal affixed to said instrument is the corporate seal of said corporation of and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors who acknowledge said instrument to be the free act and deed of said corporation.

Swora to and subscribed before me, this \_\_\_\_\_day of \_\_\_\_\_, 2001.

My commission Expires:



AGREEMENT made effective this <u>121<sup>th</sup></u> day of <u>June</u> 20 <u>S</u> by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>. <u>LC</u> hereinafter called Lessee, whose mailing address is: <u>P. Q. Box 5513 Farmington. New</u> Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Plarase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, sail water, gas or other substances into any stratum or strata under said land and not productive of firsh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on saic land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Oas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lesse.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and

10. This Lease shall be binding upon all who execute it, whether new are named in the granting clause and whether all parties named in the granting clause execute the Lease or not. 11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. 12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of unit a same and and the same and lease.

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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Sum Jehn	
- Charles Country	
STATE OF NOUTLEXICD	ACKNOWLEDGMENTS
STATE OF NEW )	
COUNTY OF San Juan	, 2005 , before me personally appeared Dugon . UC Contacting
On this day of dury	ho executed the foregoing instrument and acknowledged that AMAIN AC (
executed same free act a	and deed
Witness my hand and seal the day and y	year last above written.
My Commission Expires:	
nturn	Notary Public 4
Do Mar Do	
STATE OF NOW MALCU	
COUNTY OF ALL MAN )	ON33
On this I day of JIANP	2005 before me personally appeared SUSAN K. UEROFE
to me known to be the person described in and w	ho executed the foregoing instrument, and acknowledged that
executed same free act a	and deed.
Witness my hand and seal the day and	year last above written.
My Commission Expires:	-Julkon
05.01.07	Depr Public OF7ICTAL SEAD
STATE OF)	Vonia Begay NCTARY FUBLIC STATE OF NEW MEXICO
COUNTY OF)	My Competencies Baganca 05-01-01
The foregoing instrument was acknowl	ledged before me this day of, 20 05, by
	of on behalf of said
Witness my hand and seal the day and	year last above written.
My Commission Expires:	
	Notary Public
STATE OF }	
δ	
COUNTY OF)	
The foregoing instrument was acknow	owledged before me this day of, 20 05, by
	of on behalf of said
•	
Witness my hand and seal the day and	year jast above written.
My Commission Expires:	
	Notary Public

END OF ACKNOWLEDGMENTS



# EXHIBIT "A"

UEKERT DUGAN AND SUSAN TRUST PO BOX 1477 FRUITLAND NM, 87416-7416

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Property Address	Townsh	ip Range	Section	QtrQtr	Acres
1108 S BOWEN	29	13	22	NW NW	0.15
FARMINGTON NM, 87401-7401					
	Legal:			OF 222913	

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THENCE E 557 FT, S 162.32 FT TO TRUE BEG. TH E 87.03 FT, S 23.57 FT, E 9.46 FT, S 46.43 FT, W 96.49 FT, N 70 FT TO BEG. B.1268 P.961 B.1328 P.154

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200511387 06/27/2005 02:45P 3of3 B1412 P507 R 13.00 D 0.00 San Juan County, NY Clerk FRAN HANHARDT

PRODUCERS 88 -PAID UP

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#### Rev. No. 5a (CBG)

#### OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this	4th day of	May	, 200 <u>5, by and between</u>
Kenneth C. & Teo C. Youell, hus	band and wife, as ic	pint tenants	whose address is
706 Poplar Street, Farmington, N	M 87401-7401		, ("Lessor", whether one or more) and
Lance Oil & Gas Company, Inc.	whose address is	PO Box 70, Kirtland, New Mex	ico. 87417 ("Lesser")

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency WINCESSE IN, FOT BACH CONSIDERATION OF IEVENUEXCS, the COVENANTS and agreements contained network, and other good and valuation consideration of IEVENUEXCS, the COVENANTS and agreements contained network, and other methods and operating for and producing therefore of and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all subsurface and any and all other rights and privileges necessary, incident to, or convenient for the networks all structures that contain tract for the operation alone or conjointly with neighboring land for such purposes, all that certain tract

San Juan New Mexico or tracts of land situated in \_\_\_\_ County, described as follows, to-wit:

#### See Exhibit "A" attached hereto and made a part hereof,

#### and containing 0.2295 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of \_\_\_\_\_\_\_ years from this date ("Primary Term") and as long thereafter as oil or gas of whatse I. It is agreed that this Lease shall remain in force for a term of \_\_\_\_\_\_\_(1YEL)\_\_\_\_\_\_\_ vers from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the experition of the Primary Term, oil or gas is not being provided. If, at the experition of the Primary Term, oil or gas is not being provided. If, at the experition of the Primary Term, oil or gas is not being provided. If, at the experition of the Primary Term, oil or gas is not being provided. If, at the experition of the Primary Term, oil or gas is not being provided. If, at the Premises or on acreage pooled or unitized therewith Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations there being continuously prosecuted. 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cesse from any cause after the primary term, this Lease shall not terminet if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith. therewith

 This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 Lesse as to all or any portion of the Premises and as to any strate or stratum, by delivering to Lessor or by filing for record a release, and be relieved of all obligations thereafter accruing as to the acreage surrendered. 2. This is a PAID-UP LEASE. In consideration of the pays 3.10

a of Straum, by derivering to Lesson or by lung as records a revealed or revealed or revealed and Lessee covenants and agrees to pay royalty to Lesson as follows: (a) On oil, to deriver to the credit of Lesson, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal one-eighth (1/8th) part of all oil produced and (a) On oil, to deriver to the credit of Lesson, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal one-eighth (1/8th) part of all oil produced and saved from the Premi

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, one-eighth (1/8th) of the net proceeds realized by Lessee from the sale thereof; provided that Lessee shall have the continuum; right to sell that Gas to inself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements including arrangements under which Lessee, or an affiliate, is purchaser, extered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, and purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be fare douction for costs (third party charges and tariffs, and purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after douction for costs (third party charges and tariffs, and print and exampling examples are charged to the method that the method in the same of the same first or the same of the same first or the same of 
including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest precoding date as the date on which Lessee, or an affiliate, commencer its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas. 4. Where Cas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee thall pay or tender as royality to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or bofore the anniversary date of this Lease here ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced in thereafter on or bofore the anniversary date of this Lease the period such well is shut in or dewatering operations are being conducted. 5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor outy in the proportion which Lessor's interest hears to the whole and undivided fee. 6. Lesses shall have the right to use, five of Ocas, Gas, oil and wheir produced on the Premises' is operations thereon, except water from the wells of Lessor. 7. When requested by Lessor, Lessee 's pipe line below plow depth. 8. No well shall be drilled nearer than 200 feet to the house or harm now on the Premises without written consent of Lessor. 9. Lessee shall have fride damater date of the or house on the more on on the fremises.

The west statute us under means them downeed to use notice or num now on the Premises without written consent of Lesser.
 Lesses shall pay for damages caused by Lesser's operations to growing crops on the Premises.
 Lesses shall have the right at any time to remove all machinery and fixtures (including casing) Lesses has placed on the Premises.

9. Lessee shall pay for damages caused by Lesse's operations to growing crops on the Premises.
10. Lessee shall have the right at any time to remove all machinory and fixtures (including casing) Lessee has placed on the Premises.
11. The rights of the Lessor and Lessee haremader 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 information of cocuments and other information accessary to establish a complete chain of the Lessor's ownership as to different portions or parocls of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee. No present on fautre division of Lessor's ownership as to different portions or parocls of the Premises 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 the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's old or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the tesschold estate and the mineral estate covered by this Lesse with other land, lesse or leases. Likewise units previously formed to include formations on producing oil or gas, may be reformatio to exclude such non-producing formations. The forming or reforming of any unit thall be accomplished by Lessee esceuling and filing of record a declaration of such previously formed to include formations and province for dial days are reformations or a well shat in for want of a market anywhere on a unit which includes all or a part of the Lesse shall be treated as if it were production, drilling, reworking or dewatering operations or a well shat in for want of a market anywhere on a unit which includes all or a part of this Lesse shall be treated as if it w

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 Lesse shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this Lesse 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, asses is prevented from conducting operations hereunder, such finite shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, and the title to the transe the contrary notwithstanding. 14. Lessor hereby warrants and agrees to defend the title to the Premises and agrees that Lessee, hall have the right at any time to redeem for Lessor, by payment, any mortgagea, taxes or other liens on the Premises, 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 homestend in the Premises, insofar as said right of dower and homestend may in any way affect the numbers of which this Lesse is made are recein.

purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties nanod as Lessor herein 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 beirs, soors and assigns of Lessor and Lessoe. IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

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San Juan Co	sunty, NH C	lerk FRAN )	IRNHARDT KJ

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Kenneth C. Youell	CAN JOINT COL
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Teo C. Youell	SI CLERK /
	PREW MEXICO

STATE OF <u>New Mexico</u> ss. COUNTY OF <u>San Juan</u> The foregoing instrument was acknowledged before <u>Henneth C. Jane//</u> My Commission Expires: <u>08-24-05</u>	UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL = me this <u>26 th</u> day of <u>May</u> , 19 by <u>Jea</u> <u>C</u> <u>Youe</u>
The foregoing instrument was acknowledged before Henneth C. Yonell gao	Jes C Youelf
Kenneth C. Youell and	Jes C Youelf
My Commission Expires: 08-24-05	OFFICIAL Manager
	Not Garmelita Shay A/du Mexico NOTARY PUBLIC NOTARY PUBLIC
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STATE OF	UNIFORM ACKNOWLEDGEMENT-CORPORATE
ss. COUNTY OF}	
The foregoing instrument was acknowledged before	e me this day of by
of	a
corporation, on behalf of the corporation.	
My Commission Expires:	Notary Public, State of
	Name of Notary Printed
	An and a state of the state of
STATE OF	UNIFORM ACKNOWLEDGEMENT-OTHER
ss.	
The foregoing instrument was acknowledged before	e me this day of, 19
on behalf of	&
My Commission Expires:	Notary Public, State of
	Name of Notary Printed
	200510828 06/20/2005 12:13P 20f3 B1411 P949 R 13.00 D 0.0 San Juan County, NH Clerk FRAN HANHRAT

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AGREEMENT made effective this <u>1311</u> day of <u>Junc</u> 20 0.5 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>. <u>LLC</u> hereinafter called Lessee, whose mailing address is: <u>P. O. Box 5513 Farmington, New</u> <u>Mexico 87499</u>.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalities free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil aud/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accumplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any art of said land and Leases, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.
8. Should Lessee be prevented from complying with any express or implied covenant of this Lesse, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





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This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
 Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
 This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lesser.

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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<i>v</i>	
ACKNOWLEDGN	MENTS
STATE OF Men Mexico	
COUNTY OF Sen June \$ On this 13 day of June, 2005, before mep to me known to be the person described in and who executed the forego	personally appeared <u>Henseth</u> <u>Your</u> , <u>Henseth</u>
executed same free act and deed.	0 11
Witness my hand and seal the day and year last above written My Commission Expires:	Notary Public
	NOTARY PUBLIC
STATE OF )	STATE OF NEW MEDIC
8	My Commission Expire
COUNTY OF) On this day of, 20 <u>05</u> , before me p	
to me known to be the person described in and who executed the foreg	oing instrument, and acknowledged that
executed same free act and deed.	• • • • • • •
Witness my hand and seal the day and year last above written	n.
My Commission Expires:	Notary Public
•	Notary Fublic
STATE OF)	
COUNTY OF)	
The foregoing instrument was acknowledged before me this of of	day of 20 <u>05</u> by
, of	on behalf of said
<u></u> .	
Witness my hand and seal the day and year last above writte	n.
My Commission Expires:	
	Notary Public
STATE OF)	
COUNTY OF)	
The foregoing instrument was acknowledged before me	this day of
, of	on behalf of said
······································	
Witness my hand and seal the day and year last above writte	
My Commission Expires:	
•	Notary Public
END OF ACKNOWLE	EDGMENTS



# EXHIBIT "A"

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YOUELL KENNETH C ET UX 706 POPLAR ST FARMINGTON NM, 87401-6660

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Property Address	Township	Range	Section	QtrQtr	Acres
706 POPLAR ST	29	13	22	NE NW	0.2296
FARMINGTON NM, 87401-7401					
	- 0	HADY ( .1065 P.		.OT 3 02WD	)
Property Address	Township	Range	Section	QtrQtr	Acres
704 E POPLAR ST	29	13	22	NE NW	0.0918
FARMINGTON NM, 87401-7401					
			GROVE E B.1374 P.	E40' OF LOT 902	2

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PU Losse Sign Team Producers 23 Rev

AM622.432

# 00204105 03/07/2002 02:28F

10f2 B1338 P269 R 7.00 D 3.00 San Juan County, NI Clerk FRAN HANHARDT

#### **OIL AND GAS LEASE**

THIS AGREEMENT, Made and entered into this 19th \_day of \_\_\_\_ November\_\_ John J. Horn and Alice L. Horn, h/w as joint tenants

\_\_\_\_ 2001\_, by and between

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C 4 40

Whose post office address is 821 E. Murray Drive, Farmington, NM 87401

hereinafter called Lessor (whether one or more) and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lessee:

WINESSEIH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> 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, denise, 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 andure or kind, with rights of way and castements for king pipe lines, and rection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 13 West, N.M.P.M. Section 22: A tract of land in the N2NE/4NW/4 of said Section 22, described as follows: BEGINNING at a point on the South line of the right of way of State Highway 17 (Farmington-Bloomfield) which is 750 feet Last and 40 feet South of the NW corner of said N/2NE/4NW/4;

THENCE South 250 feet; THENCE West 110 feet; THENCE North 250 feet; THENCE East 110 feet to the point of beginning.

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to the lease

and containing .6313 acres, more or less.

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Ist. To deliver to the credit of Lessor, five 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 lessed 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 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), 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. Lessoe may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained bercunder, 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. 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 kind than the entire and undivided for shall be said the to the store that the previse and undivided for shall be said the store.

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is is oright produced whith the meaning of this lease. If faid lessor owns a less interest in the show described kind than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. Lessee shall have the right to use, free of cost, gas, oil and water produced on said lend for Lesser's operation thereon, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury Lesser's ripe line below plaw depth. No well shall be drilled nearer than 200 feet to the house or burn now on said premises without written consent of Lessor. 6

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 have the right at any inno to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.
10. Lessee shall have the right at any inno 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 documents and other information necessary to establish a complete chain of record this from Lessor, than then only with respect to payments thereafter made. No other third 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 calarge the obligations or diminish the rights of Lessor's operations may be conducted without regard to any such division. If all or any part of this lesse is assigned, no lessehold owner shall be liable for an unservice.

complete chain of record title from Lesson, than then only with respect to payments thereafter made. No other kind of nonice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lesson's ownership as to different portions or parcele of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lesser's operations may be conducted without regard to any such division. If all or any part of this lesse is assigned, no lessehold owner shall be liable for any act or omission of any other lessehold 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 lessehold estate and the mineral estate covered by this lesse with other land, lease or lesses in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lesser's judgmeent 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 lesses. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming of reforming of any unit shall be accomplished to finclude formations and producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit may include land have the reformation, which lesses hall be treated as if if were production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or apert of the lesses thall be that proportion of the unit production from the unit so pooled royalities only in the portion of such production allocated to this lesses, such allocation shall be that proportion of the total unmber of surface scores covered

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 impart, 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 Regulations. 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 liess on the above described lands, in the event of default of payment, any mortgages, taxes or other liess on the above described lands, in the event of default of payment, any mortgages, taxes or other liess on the above described lands, in the event of default of payment, any mortgages, taxes or other liess on the above described lands, in the event of default of payment and relaxes all 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 betriaabove 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, the shall be subject or and Lessee. IN WITNESS WHEREOP, this instrument is executed as of the date first above written.

47769000

te John J. Horn 2 9437 28 CC#-

0311 - Olun Alice L Horn 1/3 Alice L Horn 1/3 379-30-1655 1.10 ບບ 2 445



STATE OF New Mexicon COUNTY OF

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this <u>4th</u> day of <u>Accender</u> 2001, personally appeared <u>90 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> <u>100 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> <u>100 may} <u>100 may</u> <u>100 may</u> </u></u></u></u></u></u>

IN WITNESS WHEN	EUF, I have her	reunto set my hand and amixed by notarial seal the day and year last abov
whiten MERI		Hilms Minn Jar
I NOTARY DO		Address: 1109 Bluffrier
CALL OF NOR		Address 1109 Bluffriew Tarminton, NM 87401
STATE OF	) ·	
COUNTY OF	}9	Acknowledgment - Partnership/Trust
		ry Public, in and for said County and State, on this day of appeared
83of		
		cribed in and who executed the within and foregoing instrument of writin duly executed the same asfree and voluntary act and deed for t
		reunto set my hand and affixed by notarial seal the day and year last above

My Commission Expires:

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

Acknowledgment - Corporation

Address:

Sworn to and subscribed before me, this \_\_\_\_\_day of \_\_\_\_\_, 2001.

15

My commission Expires:

AGREEMENT made effective this \_\_\_\_\_\_ day of \_\_\_\_\_ 20 esc by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and \_\_\_\_\_\_ Operating. LLC. \_\_\_\_\_\_ hereinafter called Lessee, whose mailing address is: \_\_\_\_\_\_P. O. Box 5513 Farmington. New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and essements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lesse is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

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200511382 06/27/2005 02:45P 10f3 B1412 P502 R 13.00 D 0.00 San Juan County, NH Clerk FRAN HANHARD K

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This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
 Lesse shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
 This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Turt	H ALICE L HORN
John J HOR	N ALICE L HORN
STATE OF New Mexico	ACKNOWLEDGMENTS
COLINITY OF Sam JULL	
On this <u>12</u> day of	of <u>true</u> , 2005, before me personally appeared <u>5chn ? Alice /</u> ribed in and who executed the foregoing instrument, and acknowledged that
exocuted same	free act and deed.
My Commission Expires:	al the day and year last above written.
July 25, 2007_	UTRICIAL SEAL
STATE OF	
COUNTY OF day	State of New Maxico My Commission Expires 2-25-07- of 2005, before the personal state of New Maxico
to me known to be the person descr executed same	ribed in and who executed the foregoing instrument, and acknowledged that
	al the day and year last above written.
My Commission Expires:	Notary Public
STATE OF	)
COUNTY OF	5 )
The foregoing instrument	at was acknowledged before me this day of, 20 05, by of on behalf of said
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My Commission Expires:	Notary Public
STATE OF	) 
COUNTY OF	) ent was acknowledged before me this day of, 20 05, by
	of of on behalf of said
	al the day and year last above written.
My Commission Expires:	Notary Public
·	Notary Public
	END OF ACKNOWLEDGMENTS
K SCHIE CHEK DIE KURCHU DEI	
511382 06/27/20	205 02:45P
3 B1412 P502 R Juan County, NH Clerk !	

## EXHIBIT "A"

HORN, JOHN J ET UX 821 E. MURRAY DR. FARMINGTON, NM 87401-6651

PROPERTY ADDRESS:

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821 E. MURRAY DR.	TOWNSHIP	RANGE	SECTION	QTR/QTR	ACRES
FARMINGTON, NM 87401 - 6651	29N	13W	22	NENW	6313

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BEG AT A PT ON THE 5 SIDE OF HWY #17, WHICH PT IS 750 FT E OF NW COR OF NENW 222913, THENCE E 110 FT; S250 FT; W 110 FT; N250 FT TO BEG. B854 P389, LESS FRACTION TO CITY B 1218 P954.



200511382 06/27/2005 02:45P 30f3 B1412 P502 R 13.00 D 0.00 San Juan County, NT Clark FRAN HANNARDT

PU Lease 5/yr Term Producers 88 Rev Nm022.410

# 200204116 03/07/2002 02:44P 1of2 B1338 P280 R 7.00 D 3.00 San Juan County, NM Clerk FRAN HANHARDT

Anno

#### **OIL AND GAS LEASE**

day of November THIS AGREEMENT. Made and entered into this 12th 2001 , by and between

Wesley D. Ipock, a single man

Whose post office address is 711 Poplar St, Farmington, NM 87401 hereinafter called Lessor (whether one or more) and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1709, Denver, CO 80203, hereinafter called Lesser

WINESSETH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, lessed and let, and by these presents does grant, demise, lesse 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 sind produces, all that certain tract of land simated in the County of <u>San Juan</u>. State of <u>New Mexleo</u>, described as follows, to wit:

#### Township 29 North - Range 13 West, N.M.P.M.

Section 22: Cottonwood Subdivision: Lot 1 in Block Two (2)

#### and containing \_,1898 acres, more or less.

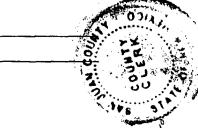
OTAR 1. It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the grimmy term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the grimmy term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lease is than engaged in drilling or re-working operations therewith the considered to be continuously processed if not more than nisety (90) days shall elase between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If fairer discovery of oil or gas on said lease during or re-working operations that thereof should cease from any terms that the primary term. This lease shall continue to from east and the beginning of production or from date of completion or date of completion of day from date of completion of day from date of completion of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced and produced as a result of such operations at or after the expiration of the primary term. Lease that the second and the beginned, cocycept as otherwith.
2. This is a PAID-UP LEASE. In consideration of the primary term, Lesser may at my time or times during or after the primary term surgeder this lease as to all or any operation during the primary term. Lesse that lease or the lease of the primary term surgeder this lease as to all or any operation of the primary term. Lesser or by fitting far eccord a velease or releases, and be relised of all obligation thereafter accruing as to the acreage produced as a tot any statu as status to statu any operations atherein the p

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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 of the may in any warflect the purposes for which this lesse is made, as recited herein. 15. Should any one or more of the parties bereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute this lease as Lessor. All the provisions of this lesse shall be binding on the heirs, successors and assigns of Lessor and assigns of Lessor as used right cleases of Lessor and be undersigned to the right of dower and homestead in the premises described herein, insolar as usid right of dower and homestead may in any way affect the purposes for which this lesse is made, as recited herein. 15. Should any one or more of the parties bereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute this lease as Lessor. All the provisions of this lesse shall be binding on the heirs, successors and assigns of Lessor as or or or or all of the parties who execute this lease as Lessor. All the provisions of this lesse shall be binding on the heirs, successors and assigns of Lessor as the date first above written.

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STATE OF New Mexico

COUNTY OF San Juan 18

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this November, 2001, personally appeared 4/25/24 Ð. DO (Ia n ant 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\_\_\_\_ <u>he</u> duly executed the same as h/s 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 by notarial seal the day and year last above Kanla Schetter 18 Road 1990 Farmington i ://1144 STATE OF Acknowledgment - Partnership/Trust COUNTY OF BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this dav of , 2001, personally appeared. 25 of 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 duly executed the same as \_\_\_\_ \_\_free and voluntary act and deed for the uses and purposes therein set forth. IN WITNESS WHEREO7, I have hereunto set my hand and affixed by notarial seal the day and year last above written. My Commission Expires: Address: STATE OF Acknowledgment - Corporation COUNTY OF BEFORE ME, the undersigned authority, this day personally appeared to me personally known who being by me duly sworn did say that he is the and that the seal affixed to said instrument is the corporate seal of said corporation of\_ and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors who acknowledge said instrument to be the free act and deed of said corporation.

Sworn to and subscribed before me, this \_\_\_\_\_day of \_\_\_\_\_, 2001.

My commission Expires:

AGREEMENT made effective this 10.14 day of 10.16 20 0.5 by and between the undersigned hereinafter called Lesson(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>. LLC. <u>P. O. Box 5513 Farmington</u>. New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is ripparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lesse covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, sait water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation bereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the voyalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Fooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease shall allocate to this Lease the proportionate share of production, which the acreage in the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.
8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.
9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lesse. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. 12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessor.

said Lessor and Lessee.

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IN WITNESS WHEREOF, we sign the day and year first above written.

William Nexic	L ACKNOWLEDGMENTS
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# EXHIBIT "A"

IPOCK WESLEY D 711 POPLAR ST FARMINGTON NM, 87401-6659

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Property Address	Townsh	ip Range	Section	QtrQtr	Acres
711 POPLAR	29	13	22	NE NW	0.2078
FARMINGTON NM, 87401-7401					
	Legal:	COTTON 02B.1138		UB LOT I	





THIS AGREEMENT, Made and entered into this 26th \_day of\_\_ November Jose G. Gomez and Rebecca Gomez, h/w as joint tenants 2001 , by and between

Nn022.448

hereinafter called Lessor (whether one or more) Whose post office address is 306 Ouray Ave, Farmington, NM 87401

and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1790, Denver, CO 80203, hereinafter called Lessee

WITNESSETH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more</u>) DOLLARS cash in hand paid, the receipt of which is hereby nowledged, and the covenants and agreements hereinafter contained, has granted, demised, lessed and let, and by these presents does grant, demise, lesse and let husively unto the said Lessea, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by goophysical and other methods, and saiting for major producing therefrom of and all gas of whatsover nature or kind, with rights of ways and essentents for laying pipe inse, and erection of structures thereon moduce, save and take care of said products, all that certain tract of hand situated in the County of <u>San Juan</u>, State of <u>New Mexico</u>, described as follows, to-wit: to prode

#### Township 29 North - Range 13 West, N.M.P.M.

Section 22: Totah Vista Subdivision: Lot 5 in Black One (1) in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the County Clerk on March 5, 1957

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

#### and containing .2259 acres, more or less

It is agreed that this lease shall remain in face for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoewer nature or kind is produced from said leased premises or on accesse 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 accesse 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 accesse pooled therewith, and the beginning of operations thereon, then this considered to be continuously protected if not more than ninety (90) days shall chapse between the completion or abandonment of case well and the beginning of operations thereof should cease form any term of the primary term, this lease shall contise to find terminate if Leases commences additional drilling or re-working operations thereof should cease from any term of this lease, this lease shall contises in force so long as 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 shall contises in force so long as oil or gas is produced and produced as a result of such operations at or after the expiration of the primary term of this lease all contises in force so long as oil or gas is produced from the fasted premises or an accesse pooled therewith.
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3. In consideration of the premises the said Lessee covenants and agre

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Law, Order, Rule or Regulation. 14. Lessor bareby warrants and agrees to defend the tille to the lands herein described, and agrees that the Lessoe shall have the right at any time to redeem for Lessor, by payment, any moritages, tance 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 heits, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofter as said right of dower and homestead may in any way affled the purposes for which this here is made, as recide herein. 15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lesse, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as using its lessor, shall mean any one or more or all of the parties who execute this lesse as Lessor. All the provisions of this lesses have assigned as the states east. IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

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AGREEMENT made effective this  $5^{-1}$  day of  $J_{P}/4$  20  $0.5^{-1}$  by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>, <u>LLC</u>. hereinafter called Lessee, whose mailing address is: <u>P. O. Box 5513 Farmington, New Mexico 87499</u>.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royaltics provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, sait water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations up or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease, or any stratum or strata, with other lands and Leases in said spacing unit. Lessee may not unitize any part of sol had and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lease.

any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor. 6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lesse.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. 12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

J.

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# EXHIBIT "A"

#### GOMEZ JOSE G 306 OURAY AVE FARMINGTON NM, 87401-6709

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Property Address	Township	Range	Section	QtrQtr	Acres
306 OURAY AVE	29	13	22	SW NW	0.4533
FARMINGTON NM, 87401-6709					
	Legal: 1	OTAH V	ISTA SU	BDIVISION	4

LOTS 4 AND 5 BLOCK 01 B.421

P.46 B.439 P.154

200512490 07/14/2005 11:53A 30f3 B1413 P586 R 13.00 D 0.00 San Juan County, NM Clark FRAN HANHARDT PRODUCERC-88 -PAID UP Rev. No. 5a (CBG)

#### OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 10th day of May, 2005, by and between Thomas M. Dinning and Eileen Dinning, Trustees of the Thomas M. & K. Eileen Dinning Living Trust, dated March 22", 1994, whose address is 301 West Apache, Farmington, New Mexico 87401, ("Lessor", whether one or more) and LANCE OIL & CAS COMPANY, INC. whose address is 1099 18th Street, Suite 1200 Denver, CO 80202, ("Lesser").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, denise, lease and let exclusively unto said Lesse, with the exclusive rights for the purposes of mining, emploring by of which are here y accounted by provide borrely gran, because, to cause the constance of main and because, while are exclusive regions and any property series of maining, expressing or and the graph lines, building called graph and symphones of maining, expressing or and the care of said products (including called graph lines, building called graph lines, building tanks, plants, power stations, nodways and structures thereon to produce, save and take care of said products (including deviatering of coalbed gravells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation should or conjointly with neighboring lad for such purposes, all that certain tract

or tracts of land situated in \_\_\_County, \_\_\_New Mexico San Juan described as follows, to-wit

Township 22 North, Range 13 West, N.M.P.M. Section 22: Lot Six (6) in Block Four (4) of the Gulledge Subdivision, as shown on the Plat of said Subdivision filed for record March 16<sup>4</sup>, 1954. AND

Section 22: A tract of land in the Nor

x of land in the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) of said Section 22, described as follows: Lot One (1) in Block One (1) of the Shady Grove Subdivision, in the City of Farmington, New Mexico as shown on the Plat of said Subdivision, filed for record in the Office of the County Clerk of San Juan County, New Mexico on April 30<sup>th</sup>, 1956.

AND t of land in the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of said Section 22, described as follows: Lot Seven (7) in Block Four (4) of the Gulledge Subdivision, in the City of Parmington, New Mexico, as shown on the Plat of said Subdivision, filed for record in the Office of the County Clerk of San Juan County, New Mexico on March 16<sup>th</sup>, 1954. Section 22: A tract of land in the South

d containing 0.4621 \_ acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lesse shall continue in force so long as such operations are being continuously protectuted. Operations shall be considered to be continuously protectuted if normore than nimety (90) days shall chapte between the completion or abandomment of one well and the beginning of operations for the drilling of a subsequent well. It fails therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or devatering operations within ninety (90) days from date of ceasation of production or from date of completion of dry hole. If oil may shall be insovered and produced as a result of such cease from any cause after the primary term, this Lesse shall not terminate if Lessee commences additional drilling, reworking or devatering operations within ninety (90) days from date of production or from date of completion of dry hole. If oil or gas that be benericed and produced as a result of such cease for early the advect on the primerice of the binner term in the lessen the locations in force not and the binner term in the lessen of the dream intervent of the maximum of the lessen term in the lessen term of the result of cease from any cease and the dream intervent of the term intervent term in the lessen term of the lessen term

dewatering operations within minety (90) days itom date of cessibility 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith. 2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Leasor agrees that Lease shall not be obligated, except as otherwise provided herewith, to commence or continue any operations during the primary term. Lesses may at any time or times during or affer the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strate or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter acruing as to the acreage surrendered. 3. Lesses covenants and agrees to pay royally to Lessor as follows: (a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal one-cighth (1/8th) part of all oil produced and

aved for the Premi

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent clements, casinghead gas or other gaseous (b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent clements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, one eighth (1/8th) of the net proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellbead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the occret field in which there is such a prevailing price) pursuant to comparable purchases arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be there doteion in vocist (hird party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.
4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expirations of the Primary Term, Lessee thell are surpaint to struct the address at first above Core Dollar per ura new training were or used to the bardee on prefere the anniversary date.

Lessee shall pay or tender as royalty to Lessor at the address set furth above One Dollar per year per net mineral acre, 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 or dewatering operations are commenced and thereafter on or before the anniversary date of this

of this Lesser chard ensuing after the expression of no expressions are being conducted. 5. If Lesser during the period such well is shut in or devastering operations are being conducted. 5. If Lesser owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royabies (including any stur-tu gas toyrey) are a shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. 6. Lessee shall have the right to use, fire of cost, Gat, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor. 7. When requested by Lessor, Lessee shall buy Lessee's operations to growing crops on the Premises without written consent of Lessor. 9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises. 10. Lessee shall have the right to use, fire of cost, Gat, oil and water produced on the Premises without written consent of Lessor. 11. The rights of the Lessor and Lesse 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 cortified copies of all recorded instruments or downership of Lessor's ownership so Lessee's operation nocestary to establish a complete chain of record tills 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's ownership as to different portions or parcets of the Premises shall be obligations or diminish the rights of Lessee's operation of premises shall or any part of this Lesse is assigned, no lessefold onsure shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcets of the Premises shall be obligations or diminish the rights of clessee, and all cessee's operation of the biology of the present ariture and mourer at any time to an

division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lesser's operations may be conducted without regard to any such division. If all or any part of this Less is assigned, no beachold owner shall be liable for any act or consistion of any other leasehold owner. 12. Lesses, at its option, is hereby given the right and power at easy time and from time to time as a recurring right, either before or afther production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lesse with other land, lesse or leases in the immediate vicinity for the production of all and gas, or separately for the production of either, when in Lesser's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lesse or leases. Likewise units proviously formed to include formations not producing of any user shall be accomplished by Lesse executing and filing of record a declaration of such unitization or reforming or reforming of any usit shall be accomplished by Lesse. The other code as of this center of this Lesse shall be treated as if it were production, drilling, reworking or dewatering operations or a well shalt in for want of a market anywhere on a unit which includes all or any art of this Lesse shall be treated as if it were production, drilling, reworking or dewatering operations or a well shalt in forwant of any or such areas. In head other land, licking into a cooperative or unit zhan zool, roduction, drilling, reworking or dewatering operations or a well shalt in forwant of and the renduction allocated to this Lesse. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lends in the same or unit plan of develops 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 agree d, 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. as of such approved cooperative or unit ied by compliance with the drilling and and, in such event, use terms, conditions and provisions of imilitate static be detended in continue 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 his Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement. In the event that the Premises 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 particularly relation of development or computing the trophistics to be paid hereunder to Lessor shall be taked upon production produced from the particular test of land to which it is allocated and not to any other test of land; and royalty payments to be made hereunder to Lessor shall be eased upon production to be use on allocated to the new's news to be used hereunder to Lessor shall be been to be used 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 g agency by executing the same upon request of Lessee.

agently of account and same dependences 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 Lease held liable in damagea, for failure to comply therewish if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. It, due to the above causes or any cause whatsoever beyond the control of Lessee. Lessee, is accusted or conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be strended for a such store dependence.

whatsoever beyond the control of Lessee, Lessee is prevented from consustant operations and values, over universe in the control of Lessee, Lessee was so prevented, mything in this Lesse to the contrary notvingentationing. 14. Lessor hereby warrants and agrees to default the title to the Premises and agrees that Lessee shall have the right at any third? to redeem for Lessor, by payment, any mortgages, 14. Lessor hereby warrants and agrees to default of navouent by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and taxes or other liens on the Premises, 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, insofards said right of dowerland homestead may in any way affect the purposes for which this Lesses is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein 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 Less s and assigns of Less or and Lessee.

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



Thomas	Him	EN JUAN COLUMN
KEileen	$\mathcal{F}$	CLERK S
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STATE OF UNIFORM ACK	NOWLEDGEMENT-INDIVIDUAL
33.	
COUNTY OF}	
The foregoing instrument was acknowledged before me this	_ day of, 20 by
My Commission Expires:	Notary Public, State of
	Name of Notary Printed
	KNOWLEDGEMENT-CORPORATE
SS. COUNTY OF}	
The foregoing instrument was acknowledged before me this	
as as a	
corporation, on behalf of the corporation.	
My Commission Expires:	Notary Public, State of
STATE OF New Meyico	KNOWLEDGEMENT-OTHER
The foregoing instrument was acknowledged before me this	day of May 2005 by
Thomas Dinning Karen Dinning Trustees 8	
on behalf of <u>Thomas M&amp; K. Eiken Dinning</u> a L	iving Trust
My Commission Expires: 02/24/08 Notary	Public, State of New Mexico
OFFICIAL SEAL Name of Notary VIVIAN VALUE2 NOTAW MALIC STATE or New MPDCA Ny Constitute Dylaws <u>02</u> 24 08	A STATE AND A STAT
200509946 06/06/ 20f2 B1411 P67 R San Juan County, NN Clar	

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## OIL AND GAS LEASE

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THIS AGREEMENT, made and entered into this <u>3rd</u> day of <u>April</u>, 20.02, by and between <u>Thomas M. Dinning and K. Eileen Dinning Trusteess of the</u> Thomas M. Denning and K. Eileen Dinning Trust dated March 22, 1994, whose post office address is <u>301</u> West Apache. Farmington, New Mexico 87401, hereinafter called Lessor (whether one or more) and RKCHARDSON PRODUCTION COMPANY, whose post office address is 1700 Lincoln, Suite 1700, Denver, Colorado 80203 hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10.00 & 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 essements 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 <u>San Juan</u> \_\_\_\_\_ described as follows, to-wit: State of New Mexico

Townshin 29 North, Range 13 West, N.M.P.M. Section 22: Two (2) tracts of land in the Southeast Quarter of the Northwest Quarter (SE/4NW/4) of said Section 22, described as follows: Lot Six (6) and Lot Seven (7) in Block Four (4) of the Gulledge Subdivision in the City of Farmington, as shown on the Plat of said Subdivision field for record in the Office of the San Juan County, Clerk on March 16, 1954 "It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease.

and containing 0.3030 acres, more or less

1. It is agreed that this lease shall remain in force for a term of five (5) 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 than engaged in drilling or n-working operations thereon, then this lease shall continue in force as long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith but Lessee is than engaged in drilling or n-working operations thereon, then this lease shall continue us force as 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 act more than ninety (90) days shall chapse between the completion or abandomment 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, ninety (90) days from due of cessation of production or fhom date of completion of day hole. If oil or gas shall be discovered and produced as a result of such operations at of the down cash payment, Lesson sign to the leased from the leased premises or on acreage pooled therewith. A 12. This is a PAID-UP LEASE. In consideration of the down cash payment, Lesson suges of after the primary term of this lease shall continue the primary term. Lease or agrees that cleases or released, and be relieved of all obligation therewith are original during or after the primary term of this lease so tharing the primary term. Lesse may st any time or times during or after the primary term of this lease as to all or any portion of shall had and as to any operations during the primary term. Seeson or by filing for record a release or released, and be re

of any portion of state must any sum as to any sum or statement by occurring to bears or by many an event of statement of the accesses summadered. 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. Del To act Lesson which (1/8) of the order accesses access access access access access and the grant of the same from each well where are only is found, while the

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 of the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevoiling 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), payable monthly at the prevoiling 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 beform the maniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafther 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 soid Lessor owns a less interest in the above described land than the entire and undivided fee simple 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. Lesses shall have the right to use, free of cost, gas, oil and water produced on shid land for Lesser's operation thereon, except water from the wells of Lessor.

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 factures 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. No present furnished with notice, consisting of certified copies of all recorded documents and other siferiorization necessary to establish a complete chain of record title from Lessor, fina then only with respect to payments thereafter made. No other kind of notice, whether factual or constructive shall be binding on Lessee. No present or future division of Lessor's ownership as to different porters to rights of register of the right of any other lensehold without regard to any such division. If all or any part of this lesse is assigned, no lesschold owner shall be liable for any act or omission of any other lensehold owner.
12. Lessoe, at its option is hereby given the right and power at any time and from time to this a securing right before or after production, as to all

dualish 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 lesse is assigned, no lesschold owner. 12. Lessee, at its option is hereby given the right and power at any time and from time by this its a spectrum gright 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 point of the land described herein and as to any one or more of the formations hereunder, to point of the land described herein and as to any one or more of the formations hereunder, by the distingtion of either when in the Lessee's judgment it is necessary or advisable to do so, and interspective of whether authority similar to this crisis with other land, lesse or lesses. Likewise, units is necessary or advisable to do so, and interspective of whether authority similar to this crisis with other land, lesse or lesses. Likewise, units is necessary or advisable to do so, and interspective of whether authority similar to this crisis with other series with other land, lesse or lesses. Likewise, units in previously formed to include formations not producing oil or gas, may be reformedul-citization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has therefore been completed or upon which operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lesse; shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lesse; shall be that proportions of the formation the function that the total number of surface acres in such unit. In addition to the foregoing, Lessee thall be that proportion of the state total number of surface acres in such unit. In addition to the foregoing, Lessee thall have the right to unitize, pool, or combine all or any part of the stow described lands as t 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 bereafter 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 be regarded as having 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 bereunder 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 coverants of this lesse shall be subject to all "Poderal and Stat Laws, Executive Orders, Rules or Regulations, and this lesse shall and be terminated, in whole or in part, and Lesse shall be subject to all "Poderal and Stat Laws, Executive Orders, Rules or Regulations, and this lesse shall any such Law, Order, Rule or Regulation.

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 default of payment by Lessor and the 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 paole of the payties hereinabove named as Lessor full to execute this lease, is shall nevertheless to 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, successory and lessoe. IN WITNESS WHEREOF, this instrument is executed as of the date first above written. Thomas M Dinaing and K. Ribeen Dinuing Totat dated March 22, 1994

east N ing, Trustee MA Di Di ileer en Dinning, Trustee



Tax 10 No: 555-86-7752

ENN JULAN

COUNTY CLERK

NEW ME

Tax 10 No: 555-86-9942

47895000

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	, 20, personally app to m	e known to be the identical person(s) described in and who executed the
within and foregoing instrum voluntary act and deed for the	ent of writing and acknowledge e uses and purposes therein set	ed to me that duly executed the same as free and
		o set my hand an affixed by notarial seal the day and year last above
written.	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·
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My commission expires:		
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STATE OF NEW M	lexico 1	
COUNTY OF SAN	Juan 1	Acknowledgment – Partnership/Trust)
		hlic in and five said County and State on this Sday of
April BEFORE ME	, the undersigned, a Notary Pul 20 <u>02_</u> personally ap	blic, in and for said County and State, on this day of peared 1070, + Ellan Orn at the identical person(s)
described in and who execut	ed the within and toregoing ins	strument of writing and acknowledged to me that duly at the uses and purposes therein set forth.
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		Action in the corporation
COUNTY OF	·	
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AGREEMENT made effective this <u>8</u> day of <u>4</u> day of <u>5</u> by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is servout on the attached EXHIBIT and <u>Synergy Operating</u>. <u>1LC</u>. <u>6</u> hereinafter called Lessee, whose mailing address is: <u>P. O. Box 5513 Farmington. New Mexico 87499</u>.

Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the hand is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalities free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Peoling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.
8. Should Lessee be prevented from complying with any express or implied covenant of this Lesse, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anythrog arbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anythring in this Lesse to the contrary notwithstanding.
9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





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This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
 Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee

IN WITNESS WHEREOF, we sign t	he day and year first above writ	ten.
Thomas		
Jaren Tilen 1		·
	ACKNOWLED	GMENTS
STATE OF NEW MEXICO	_) 8	
COUNTY OF San bas	$\underbrace{-}_{1}^{3}$	e personally appeared TROMAS Dinning
to me known to be the person describ	bed in and who executed the for	egoing instrument, and acknowledged that _A
executed same	free act and deed. the day and year last above writ	
My Commission Expires: 0420	108	- Vulue Curry
	i. i	Notary Public
STATE OF New MERICO		SOLEN NAM AD STARD OTION AND AN AND AN AND AN AND AND AND AND A
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COUNTY OF San Juan	LIN 2005 hefore m	e personally appeared Karen Dinning
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executed same	free act and deed.	
My Commission Expires: 02[24]	OS	nen. William Dabo
		Notary Public
		OFFICIAL SEAL
STATE OF	<u></u> ) .	NOTARY PUBLIC-STATE OF NEW MEXICO
COUNTY OF	)	My Commission Expires Labourd
The foregoing instrument	was acknowledged before me th	is day of, 20 05, by
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Witness my hand and seal	the day and year last above wri	tten
My Commission Expires:	are day and year last above with	
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DINNING THOMAS M AND K EILEEN TR 301 W APACHE FARMINGTON NM, 87401-7401

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Property Address	Township	Range	Section	QtrQtr	Acres
1015 TAMARACK ST FARMINGTON NM, 87401-0000	29	13	22	SE NW	0.1653
				DIVISION 234 P.249	LOT
Property Address	Townshij	o Range	Section	QtrQtr	Acres
1011 TAMARACK AVE FARMINGTON NM,	29	13	22	SE NW	0.1377
		GULLED P.249	GE SUB	LOT 6 04B	.1234
Property Address	Townshij	o Range	Section	QtrQtr	Acres
1209 S BUTLER AVE FARMINGTON NM, 87401-7401	29	13	22	NE NW	0.1636
	-• <b>3</b>			MENDED	.1370



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## **OIL AND GAS LEASE**

26th \_\_\_\_ day of November 2001 , by and between

Danny R. Smith, a single man	
Whose post office address is 501 Pima aVe, Farmington, NM \$7401	bereinafter called Lessor (whether one or more) and
Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO	80203, hereinafter called Lessee:

WINESSETH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby scknowledged, 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 suid Lessed, 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 essents for kings 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

#### Township 29 North - Range 13 West, N.M.P.M.

Section 22: Totah Vista Subdivision: Lots 1 & 2 in Block Five (5) in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the County Clerk on March 5, 1957

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

#### and containing \_.3246\_acres, more or less.

THIS AGREEMENT. Made and entered into this

It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from asid 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, 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 than coggage in drilling or re-working operations thereon, then this lease, considered to be continuously prosecuted if not more than ninety (30) days shall elapse between the completion or abendomment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas as as all and or on acreage pooled therewith, the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations is 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 dual drolling or actual premises or on acreage pooled therewith.
 This is a PAID-UP LEASE. In consideration of the down each payment, Lessor agrees that Lessee thall not be dipited, except as often wise provided herein, to continue any operations during the primary term, the sease as to all on any portion of the sorted premises or on acreage pooled therewith.
 This is a PAID-UP LEASE. In consideration of the down each payment, Lessor agrees that Lessee that lesses abili not te obligated, except as otherwise provided herein, to commence or continue any operations during the primary term, the acrea

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3. In consideration of the premises the said Lessee coverants 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 saved from the lessed premises.

1st. To detiver 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 bested 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 gross produced a troub 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 heremader, such payment or tender to be made on or before the anniversary date of this lesse 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 lesse next ensuing after the expiration of 90 days from the date such set is as ibeing produced within the meaning of this lesse.
5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royaltics (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the provinced market markers are produced on add land water produced on said land fue Lessor's operation thereon, except water from the wells of Lessor.
7. When requested by Lessor, Lessee shall bury Lesser's pipe line below plow depth.
8. No well shall be drilled nearer than 200 foet to the house or born own on said premises without written consent of Lessor.
9. Lessee shall have the right to also, than thes only with respect

of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lesse is assigned, no lessehold owner shall be liable for any act or omission of any other lessehold owner. 12. Lessee, at its option is hareby 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 exate and the mineral estate covered by this lesse with other hand, lesse or lesses in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the 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, lesse or lesses. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such ano-producing formation. The forming or reforming of any unit shall be accomplished by Lessec cuccuting 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 therefore been completed or upon which operations for drilling have therefore been commenced. Production, drilling or reworking operations or a well shut in for want of a market under this lesse. In lice of the royaltice elsewhere berein specified, including shut-in gas royalties. Lessor shall receive on production from the unit on pooled royalties only in the portion of such production takes to one or more of the formations shall be that production the the total marker to mitize, pool, or combine all or any part of the above described lands as to one or more of the formations therewhere with other lands in the same general area by entiring into a cooperative or unit plan of development or operation approved by any governmental altiburity and, from time, with like a a request of Lesses.

same upon requiring of Lessen. 13. All express or implied covenants of this lesse shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lesse shall not be imated, 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 7, Order, Rule or Regulation. w, Order, Rule or Regu 14. Lessor hereby wa

Law, Order, Kule or Regulation. 14. Lessor kencly warrants and agrees to defend the title to the lands berein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any morgages, 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 Lesson, for themselves and their heins, successors and assigns, horeby surrender and release all right of dower and homestead in the premises described herein, insoft as said right of dower and homestead may in any way affect the purposes for which this lesse imade, ar accide herein. 15. Should any one or more of the parties bereinabove named as Lessor find to execute this lesse, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lesse, shall mean any one or more or all of the parties who execute this lesse as Lessor. All the provisions of this lesse shall be binding on the heirs, successors and essigns of Lessore. IN WITNESS WHEREOF, this instrument is executed as of the dato first above writter.

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San Juan County, NN Cler	FRAM HANHHKUT		
STATE OF NM	Acknowledgment -Judividual(s)		
COUNTY OF San June 13	, <b></b>		
BEFORF ME, the undersigned, a l	iotary Public, in and for said County and State, on the	isday of	
and	ared Danny R. Smith		
to me known to be the identical person(s)	described in and who executed the within and foregoted in and who executed the same as <u>His</u> free and vol	aing instrument of writing	
uses an purposes therein set forth.	Outy checules the same asire and to		х.
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COUNTY OF			
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AGREEMENT made effective this <u>09<sup>±</sup></u> day of <u>1000</u> 200<u>5</u> by and between the undersigned bereinafter called Lessor(s), whose address for notice purposes is solved on the attached EXHIBIT and <u>Synergy Operating</u>. <u>LLC</u> <u>bereinafter called Lessee</u>, whose mailing address is: <u>P.O. Box 5513 Farmington. New</u>

### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, ensempath, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest new owned by, or hereafter vested in the Lessor and Lessor releases and wrives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessee would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, solt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessor written notice.

3. Lesser shall be used to be an out to be an out to be an out to be an out to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lesser may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from such and and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, fire of royalty, oil, gas, and water for all operations hereunder.

Lessee may use, free of royalty, oil, gas, and water for all operations hereunder. 4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 5. Lessee may at any time or times pool any part or all of said land and Lesse or any stratum or strata, with other tands and Lesses, stratum or strata, in the same field so as to constitute a spacing unit to ficilitate as orderly or uniform

5. Lessee may at any time or times pool may part or all of said land and Lesse or any stratum or strata, with other lands and Lesses, stratum or strata, in the same field so as to constitute a spacing unit to facilitate as orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling, shall be accomplished or terminated by filing of record a Declaration of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lesse. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease in cluster in any such spacing unit shall be total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lesse with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lesse, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State hav or any order, rule or regulation of a governmental suthority, then while so prevented. Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lesse shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbone from the lessed premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lesse to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lesse.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

ACKNOWLEDGMENTS	Danny R. Smod	<u> </u>
On this	STATE OF NEW MEXICE	ACKNOWLEDGMENTS
Constructed samefree act and deed.     Withese my hand and seal the day and year last above written.     Wy Commission Expires:     Notary Public     STATE OF	On this 29 day of	June_, 2005, before me personally appeared Danny R. Smith
Notary Public         STRTE #         Others         Option         Option <t< td=""><td>avenued come</td><td>free act and deed</td></t<>	avenued come	free act and deed
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The foregoing instrument was acknowledged before me this day of in the day and year last above written.	STATE OF	
Witness my hand and seal the day and year last above written.         My Commission Expires:         STATE OF         STATE OF         OCUNTY OF         D         The foregoing instrument was acknowledged before me this         of         on behalf of said         Witness my hand and seal the day and year last above written.         My Commission Expires:         Witness my hand and seal the day and year last above written.         My Commission Expires:         Notary Public         END OF ACKNOWLEDGMENTS         200512112       07/08/2005         Q0512112       07/08/2005         Q0512112       07/08/2005         Q0512112       07/08/2005	COUNTY OF The foregoing instrument	was acknowledged before me this day of, 20 05, by
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The foregoing instrument was acknowledged before me this day of, 20 05, by on behalf of said Witness my hand and seal the day and year last above written. My Commission Expires: Notary Public END OF ACKNOWLEDGMENTS END OF ACKNOWLEDGMENTS 200512112 07/08/2005 03:04P 20f3 B1413 P208 R 13 00 D 0	STATE OF	— · · · · · · · · · · · · · · · · · · ·
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## SMITH DANNY R 501 PIMA AVE FARMINGTON NM, 87401-6720

### **Property Address**

## Township Range Section QtrQtr Acres

501 PIMA AVE FARMINGTON NM, 87401-7401

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29 13 22 NW SW 0.3524

Legal: TOTAH VISTA SUB LOT 1 AND 2 05 B.1345 P.917



AGREEMENT, Ma	de and entered into the	12th	day of	Echruary	, 2002	, by and between
		Robert M. Wharton at	nd Barrie Wharton.	husband and wife		
Whose post office ad	Idress is <u>512 Taos Aven</u>	e, Farmington, New Me	<u>xico 87401</u> _	herei	nafter called Lessor (whether	one or more) and
Richardson Produc	tion Company who	se post office address is	1700 Lincoln,	Suite 1700, Denver, C	0.80203, hereinaf	ter called Lessee:
cash in hand paid, ft these presents does exploring by geophy for laying pipe lines, San luan	grant, demise, lease and let sical and other methods, and	acknowledged, and the co exclusively unto the said operating for and produce ereon to produce, save and	byenants and agreement Lessee, the land here ing therefrom oil and I take care of said pro	ents hereinafter contains einafter described, with all gas of whatsoever n ducts, all that certain tr	ed, has granted, demised, lear the exclusive right for the p ature or kind, with rights of r act of land situated in the Co cribed as follows, to-wit:	surpose of mining, way and casements
COUNTY	Lot Seventee	ed in the Northwest Quar = (17) in Block Five (5) o Subdivision, filed for reco	of the Totah Vista St	ubdivision in the City of	) of said Section 22, describ f Farmington, as shown on n Juan County, New Mexic	the
OF NEW WE	*It is expressly understoo	od that there shall be no :	surface use or occup	ancy of said lands sub	ject to this lease.	

NEW and containing .2324 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of five (5) 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, 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 than engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations; are being continuously prosecuted if not more than ninety (90) days shall chapse 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 lead 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 providing 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 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.

 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 lesse 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 portion of said rank and is to any state of statement by contrary, a provide the pression of the pression statement and agrees: 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 hand, the equal one-eighth (1/8) part of all oil 1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said hand, the equal one-eighth (1/8) part of all oil

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 equat one-eighth (1/8) part or an ou 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's 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), beyable 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 used well is shut in. If such payment or tender is made, it will be considered that eas is being mended within the meaning of this lease.

Where gas from a well capable of producing gas is not sold or used, Lesse may pay or tendor as noyatly to the royatry owners one Lotins por year per net now any accuration, and the extender of 90 days from the date such well is shut in add thereafter on or before the anniversary date of this lesse next ensuing after the expirition of 90 days from the date such well is shut in add thereafter on or before the anniversary date of this lesse.
 If said Lessor owns a less interest in the above described land than the entire and undivided free simple therein, these the royatics (including any shut-in gas royatly hearin provided for shull be gated to use of the produced on said land for Lessor is operation to grown and the lessor only in the proportion which Lessor's interest des any other and used for the cost.
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 Lesse shall have the right at my time to remove all machinery and fixoners placed on said greenises.
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14. Lessor hereby warrants and agrees to detend the tille 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 tolder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surender 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 this lease. It shall nevertheless 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.

Mutho Khat Babard M. When



STATE OF NEW MENC				
^	}} }ss Ackno	wledgment – Individual(s)		
COUNTY OF SAN JUAN	j			
BEFORE ME, the under	igned, a Notary Public, in	and for said County and Stat	e, on this $5^{+}$	da
	E UNADIO	obert. M. Clincu	(40N	
to me known to be the identical pe	erson(s) described in and w	tho executed the within and f	oregoing instrument of wri	ting and
acknowledged to me that and purposes therein set forth.	duly executed t	he same as	- •	
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My Commission Expires:		12100	at IIU an	OTADE
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STATE OF	<u>.</u>			
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acknowledged to me that				
and purposes therein set forth.	uuly executed			
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	rsigned authority, this day			
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AGREEMENT made effective this <u>1674</u> day of <u>Sure</u> 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>. <u>LLC</u>. <u>P. Q. Box 5513 Farmington</u>. New <u>Mexico 87499</u>.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or bureafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee three.

3. Lessee shall pay royalities free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operations of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





This Lease shall be binding upon all who execute it, whether they are named in the granting clause and 10.

This Lease shall be binding upon all who execute the vestice they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
 Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
 This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of right are read.

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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from M. utato	
Robert M Wharton	
ACKNOWLED	GMENTS
STATE OF New Mexico	
COUNTY OF SAU JUAN On this 162 day of JUNE, 2005, before r	ne personally appeared Robert M. Whatton
to me known to be the person described in and who executed the to	regoing instrument, and actnowledged that
executed same free act and deed. Witness my hand and seal the day and year last above wr My Commission Expires:	itten. A. I. A. A
My Commission Expires:	Chelik Underlow
02/02/06	Notary Public
STATE OF)	
COUNTY OF )	
COUNTY OF ) On this day of, 2005, before a	ne personally appeared
to me known to be the person described in and who executed the fo	regoing instrument, and acknowledged that
executed same free act and deed. Witness my hand and seal the day and year last above wr	
My Commission Expires:	Incit
	Notary Public
STATE OF)	
COUNTY OF )	
The foregoing instrument was acknowledged before me	this day of, 20 05, by
of _	on behalf of said
·	
Witness my hand and seal the day and year last above w	ritten.
My Commission Expires:	
	Notary Public
STATE OF)	
COUNTY OF 9	
The foregoing instrument was acknowledged before	me this day of, 20 <u>05</u> , by
of	on behalf of said
·	
Witness my hand and seal the day and year last above w	ritten.
My Commission Expires:	
	Notary Public

END OF ACKNOWLEDGMENTS



WHARTON ROBERT M ET UX 512 TAOS AVE FARMINGTON NM, 87401-6748

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Property Address	Township	Range	Section	QtrQtr	Acres
512 TAOS AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.2306

Legal: TOTAH VISTA SUB LOT 17 05B.1157 P.650



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NM 022.438

### **OIL AND GAS LEASE**

26th \_day of\_ November THIS AGREEMENT. Made and entered into this Jesse W. Gardner and Patsy J. Gardner, h/w as joint tenants

2001 , by and between

Whose post office address is 502 Pima Ave., Farmington, NM 87401 hereinafter called Lessor (whether one or more)

and Richardson Production Company whose post office address is 1700 Lincoln, Saite 1700, Denver, CO. 80203, hereinsfler called I WITNESSETH, That the Lessor, for and in consideration of <u>Tes and more (\$10 & more)</u> DOLLARS cash in band 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 anto the said Lessec, 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 erect on of structures there on to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

#### Township 29 North - Range 13 West, N.M.P.M.

Section 22: Totah Vista Subdivision: Lots 11, 15 thru 17, 19 all in Block Three (3) in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the County Clerk on March 5, 1957

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

### and containing 1.0685 acres, more or less.

It is agreed that this lease shall remain in force for a term of five (5) 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 cominued as bereinsflor 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 or drilling operations are cominued as bereinsflor 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 Lease is than engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations are being continuely (30) days shall edupe between the completion or abasdonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said and 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 in interv(90) days from date of completion 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 shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.
 This is a PAID-UP LEASE. In consideration of the primary term, lease as to all or any pertain of the primary term, but leases as to all or any pertain of the primary term, is a solar of the solar cease is produced from the leased premises or on acreage pooled therewith.
 This is a PAID-UP LEASE. In consideration of the down ceash payment, leasor agrees dual continue any pertains during or after the primary term surrender this lease as to all or any portion of the grow ceash payme

the accesse surrendered.

accept surfaction of the premises the said Lessee covenants and agrees: 1st. To consideration of the premises the said Lessee covenants and agrees: 1st. To deliver to the credit of Lessor, free of cost, in the pape 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 premise

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 lessed 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 are retained hereunder, such payament or tender to be made on o before the antiversary date of this lesse and the used of the users of the sets in the above described land than the catin and thereafter on or before the anniversary date of this lesse and the user of the tory payment or tender to be made on o before the anniversary date of this lesse and the user of the user is made, it will be considered that gas is being produced within the meaning of this lesse.
5. If said Lessor owns a less interest in the above described land than the catin and malivided fice.
6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessor's operation thereoftee.
9. Wen requested by Lessor, Lessee than produced on said land for Lessor's operation thereoftee.
9. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land.
10. Lessee shall have the right to use the to the houses or barm how on a said premises without written consent of Lessor.
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On Lesse, and all Lesse's operations may be conducted without regard to any such division. If all or any part of the less is assigned, no lessehold owner shall be lisble for any act or omission of any other lesschold owner. 12. Lesses, 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 lead described herein and as to any one or more of the formation hereundar, to pool or unlitze the lesschold ostate and the mineral estate covered by this lesse with other land, lesse or lesses in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lesser's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this cuists with respect to such other land, lesse or lesses. Likewise, units previously formed to include formations not producing of or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lesser excessing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which is for want of a market anywhere on a unit which includes all or a part of this lesse; such allocatios shall be production, drilling or reworking operations or a well shut is for want of a market under this lesse. In lise of the royalties ebewhere herein specified, including shut-in gas royalties, Lesser shall neceive on production from the units or opalities only in the portion of such production allocated to this lesse; such allocatios shall be fuely production, the the total number of surface acres covered by this lesse. In lise of the royalties eabewhere herein specified, including shut-in gas royalties, Lesser shall here at any unber of terminate any such plan or agreement. In the event the total number of such production allocation to the formations thereander with other lean

immany 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 lesse 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.

Law, Order, Rule or Kegulation.

 Law, Order, Rule or Kegulation.
 Lesson bereby 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 morigages, 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 heim, 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 parties for which this lesse is made, as recited herein.
 Should any one or more of the parties hereinabove named as Lessor fail to execute this lesse, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lesses, shall mean any one or more or all of the parties who execute this lesse as Lessor. All the provisions of this lesses hall be binding on the heirs, successors and assigns of Lessor.
 M WITNESS WHEREOF, this instrument is executed as of the date first above written.

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COUNTY OF Jan Ju	art 1			inthe second	
BEFORE ME, the unde	rsigned, a Notary Public	c, in and for said Gounty as	nd State on this	day of	••••••
and Patsy J	Garane	se WGardner			-
to me known to be the identica	al person(s) described in	and who executed the with	thin and foregoing i	nstrument of writing	3
and acknowledged to me that_		cuted the same as the in	free and voluntar	y act and deed for th	•
uses and purposes therein set f	iorin.	• • • •			
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STATE OF	J 35	Acknowledgment - Parti	nership/Trust	•	
COUNTY OF	}				
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	ersigned, a Notary Publi 001, personally appeare	c, in and for said County a	nd State, on this	day of	
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AGREEMENT made effective this \_\_\_\_\_\_ day of \_\_\_\_\_\_ 20 /25 by and between the undersigned hereinafter called Lesson(s), whose address for notice purposes is set out on the attached EXHIBIT and \_\_\_\_\_\_\_ Synergy Operating, LLC. \_\_\_\_\_\_\_ hereinafter called Lessee, whose mailing address is: \_\_\_\_\_\_\_ P. O. Box 5513 Farmington. New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

#### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or bereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, sait water, gas or other substances into any stratum or strata under said land and not productive of firsh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor. 8. Should Lessee be prevented from complying with any express or implied covenant of this Lesse, from conducting drilling, or re-working operations thereform by reason of conducting drilling, or re-working operations therefore material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lesse shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



1 12211 221112 21211 211 2112111 10112 12121 111 22121 1121 121 200512109 07/08/2005 03:04P 1of3 B1413 P205 R 13.00 D 0.00 San Juan County, NY Clerk FRAN HANNARDT (J.M.

بساعد بعاداتها الداريتين عيرا

 This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
 Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Leasor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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en W. Hade	ua
TATE OF ARIZONA	ACKNOWLEDGMENTS
TATEOF ATRIZENA	_ ) 6
OUNTY OF MALICOP C. On this <u>13</u> day of (	Desuc, 2005, before me personally appeared 40.55 w Gardner
executed same	
Witness my hand and seal the ty Commission Expires:	e day and year last above written. A co. fefermene
Aug 18 2008 TATE OF Aurona	OFFICIAL SEAL
OUNTY OF MAARIE	Mr Comm. Expine Aug. 18. 2001
On this day of _	, 2005, before me personally appeared
executed same	
Witness my hand and seal the ty Commission Expires:	e day and year last above written.
ay Commission Expires:	Notary Public
<u> </u>	-
TATE OF	_) s
COUNTY OF	_)
The foregoing instrument wa	s acknowledged before me this day of, 20 05, by of or behalf of said
	· · · · · · · · · · · · · · · · · · ·
Witness my hand and seal the	c day and year last above written.
ty Commission Expires:	· · ·
	Notary Public
TATE OF	)
OUNTY OF	ş
The foregoing instrument y	
,,	of on behalf of said
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Witness my hand and seal th	e day and year last above written.
Ay Commission Expires:	
	Notary Public



## GARDNER JESSE W ET AL 502 PIMA AVE FARMINGTON NM, 87401-6721

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Property Address	Township	Range	Section	QtrQtr	Acres
606 PIMA AVE FARMINGTON NM, 87401-0000	29	13	22	NW SW	0.1817
		ютан V 3B.1313		B LOT II D	
Property Address	Township	Range	Section	QtrQtr	Acres
PIMA AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.1931
	•	ютан V 3B.1175		IB LOT 12	
Property Address	Township	Range	Section	QtrQtr	Acres
602 PIMA AVE Farmington NM, 87401-7401	29	13	22	NW SW	0.2207
		ГОТАН V )3B.1175		UB LOT 13	
Property Address	Township	> Range	Section	QtrQtr	Acres
507 PIMA AVE FARMINGTON NM, 87401-0000	29	13	22	NW SW	0.596
	J			JBD. LOTS 8.679 P.222 F	
Property Address	Townshij	v Range	Section	QtrQtr	Acres
PIMA AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.2244
		ТОТАН 03B.718		JB LOT 16	
Property Address	Townshi	p Range	Section	QtrQtr	Acres
502 PIMA AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.2236
		тотан Р.173	VISTA L	OT 15 03B.1	1014
Property Address	Townski	p Range	Section	QtrQtr	Acres
502 PIMA AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.4803
		TOTAH 03B.1113		UB LOT 5 8	26
		n <b>19</b> ma			

200512109 07/08/2005 03:04P 3of3 B1413 P205 R 13.00 D 0.00 San Juan County, NH Clerk FRAN NANHARDT PU Lease 5/yr Term Producers 88 Rev

## OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this	<u>19th</u>	day of	November	2001_, by and between		
Susie Rose Chavez						
Whose post office address is 1120 Bowen Ave, Farmington	NM 87401		her	cinafter called Lessor (whether one or more)		

1120 Bowen Ave, Farming and Richardson Production Company whose post office address is 1700 Lipcols, Suite 1700, Denver, CO 80203, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of <u>Ica and more [\$10 & more]</u> 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, kease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by goophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever asture or kind, with rights of way and essents for language pieches, and exection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

Townshin 29 North - Range 13 West, N.M.P.M. Section 22: A tract of land lying in the NW/4NW/4 of said Section 22, more particularly described as follows: BEGINNING at a point which is 557 feet E. and 570 feet S. from the NW corner of the NW/4NW/4 of said Section 22; THENCE East 90 feet; THENCE Worth 100 feet; THENCE West 90 feet; THENCE South 160 feet to the point of beginning.

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

and containing \_\_\_\_\_.2066 acres, more or less

1. It is agreed that this lease shall remain in force for a term of five (5) 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 therewish, 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 therewish but Lessee is than engaged in drilling or re-working operations thereon, then this lease shall continuously prosecuted therewish but Lessee is than engaged in drilling or re-working operations thereon, then this lease shall continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandomment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said and or on acreage pooled therewish, the production thereof should cesse from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations thereof should cesse from any cause after the primary term, this lease shall continue in force so long as of or gas is produced and produced as a result of such operations at a after the expiration of the primary term of this lesse, this lesses thall continue in force so long as of or gas is produced and preduced as a result of such operations at a after the expiration of the primary term, is a PAID-UP LEASE. In consideration of the primary term, Lessor agrees that Lesses thall end to biginted, except as otherwise, provided herein, to commence a to any strate or stratum by delivering to Lessee may at any time or times during or after the primary term surreader this lesses as to all or any portaine of the primary term, thereafter accruing as to the acreage pooled therewise.

the acreage surrendered

3. In consideration of the premises the said Lessee covenants and agrees: 1st. To deliver to the credit of Lessor, five 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 m the les sed premis

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%) part of all oil produced and saved from the lessed premises.
2nd. To pay Lessor to e-eighth (1%) 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 manifacture of gasoline a royalty of one-eighth (1%) payable monthly at the prevailing market rate for pay Lessor for gas produced from any oil well and nsed off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1%) 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 were retained hereunder, such payment or tender to be made on or before the anniversary date of this lesse end 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 lesse end ensuing after the expiration of 90 days from the date such well is shut in the meaning of this lesse.
5. If stall Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) berein provided for shall be paid the Lessor ouly in the proportion which Lessor's interest bears to the whole and undivided fee.
6. Lessee shall have the right or use, free of cost, gan, oil and water produced or asid land.
10. Lessee shall have the right or uses's operations to growing cropt on said land.
10. Lessee shall have the right at any time to remove all machinery and firstners placed on said land. and other information necessary to establish a complete chain of record tile form. Lessor, thas show of work orear's With other and, lease or leases in the minicipate vicinity for the production of old and gas, of separately for the production of either, which in the Lesser's judgment it is necessary or advisable to do so, and insepretive of which are producing formations. The forming or reforming of any unit shall be accomplished 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 curcuing and filing of records do chart hand, lease or leases. Likewise, units previously formed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee curcuing and filing of records do electricino strike interview on a unit which includes all or a part of this lesse shall be trated as if it were production, drilling or reworking operations or a well shat in for want of a market anywhere on a unit which includes all or a part of this lesse shall be trated as if it were production, drilling or reworking operations or a well shat in for want of a market maywhere on a unit which includes all or a part of this lesse shall be trated as if it were production, drilling or reworking operations or a well shat in for want of a market anywhere on a unit which includes all or a part of this lesse shall be that proportion of the unit production from the unit so pooled royables only in the portion of such production allocated to this lesse, such allocation shall be that proportion of the unit production from the of surface acres covered by this lesses and included to the unit hears to the total number of surface acres is nowed by the starse and include to event, the terms, conditions and provisions and the times is and unit. The formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation and, particularity, all drilling and development and, in such and development requirements of shis lesses (shall be estined mo

or vaccuums use same upon request of Lessee.

 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.
 All express background and the subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be subject to all reduced and state Laws.

such Law, Order, Rule or Regulation. 14. Lessor besidering and startes to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redecen for Lessor, by payment maintains. These or other lines on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereory that in payment by a subrogated to the rights of the holder thereory that in payment by Lessor and be subrogated to the right at my time to redecen for Lessor. Subscription of the start of the subrogated to the rights of the holder thereory that is the provision of the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the rights of the holder thereory that is the subrogated to the subrogated to the holder thereory that is the subrogated to the right of the holder the subrogated to the officient the subrogated to the holder the subrogated to the the subrogated to the subrogated

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20f2 B1338 P29 San Juan County, NH C	0 R 7.00 D 3.00 Clerk FRAN HANHARDT	
STATE OF S NM	] Acknowledgment - Individual(s)	а. С.
	ersigned, a Notary Public, in and for said County and State, on conally appeared	this $\frac{1/t}{de}$ day of $\frac{1}{de}$
and to me known to be the identica	al person(s) described in and who executed the within and for	egoing instrument of writing
and acknowledged to me that uses and purposes therein set f	She fully executed the same as her free and a forth.	oluntary act and deed for the
IN WITNESS WHER	REOF, I have hereunto set my hand and affixed by notarial sec	I the day and year last above
written.	Out 1	Пала
My Commission Expires:	_ gro sue	Cone Main Jan KM 87401
1-25.2002	Address: 7/9 M	Man - Man and
	Jumin	yan 11 8 1901
STATE OF		
COUNTY OF	}§ Acknowledgment - Partnership/Tre	st
	crsigned, a Notary Public, in and for said County and State, or	this day of
	2001, personally appeared	
and acknowledged to me that		
uses and purposes therein set f	forth. REOF, I have hereunto set my hand and affixed by notarial se	al the day and year last above
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AGREEMENT made effective this hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>. LC. <u>P. O. Box 5513 Farmington New</u> Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

### See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the ovalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing patterm or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in stai spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said hand as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and

whether all parties named in the granting clause execute the Lease or not. 11. Lease shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. 12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of and family and the same terms.

said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

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Stusie, Chaver	
Susie Charlez	
alka SUSKE R. Chaven	
55# 585 - 24 - 0359 ACKNOWLEDC	
STATE OF NEW MEXICO	IMENTS
COUNTY OF SAN JUAN 5	
On this <u>9</u> day of June, 2005, before me	personally appeared SUSE R. CHAVE 2
to me known to be the person described in and who executed the fore	going instrument, and acknowledged that
Witness my hand and seal the day and year last above write	
My Commission Expires:	
AUGUST G. 2005 AUGUST NOTARY	PUBLIC 7
STATE OF)	
COUNTY OF Ny Cunning Defreq.	AUGUST 6 2005
On this day of, 2005, before me to me known to be the person described in and who executed the fore	e personally appeared
executed same free act and deed.	
Witness my hand and seal the day and year last above writ My Commission Expires:	ten.
•	Notary Public
STATE OF )	
COUNTY OF) The foregoing instrument was schoowledged before me th	is day of, 20 <u>05</u> , by
	on behalf of said
Witness my hand and seal the day and year last above writ My Commission Expires:	ten.
my Commission Expacts;	Notary Public
STATE OF)	
COUNTY OF)	
The foregoing instrument was acknowledged before m	
Witness my hand and seal the day and year last above write	iten.
My Commission Expires:	Notary Public

END OF ACKNOWLEDGMENTS



## CHAVEZ SUSIE ROSE 1120 BOWEN AVE FARMINGTON NM, 87401-6606

FARMINGTON NM, 87401-7401

# Property Address

29 13 22 NW NW 0.2	Township	Range	Section	QtrQtr	Acres
	29	13	22	NW NW	0.2

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Legal: BEG AT A PT WHICH IS 557 FT E & 570 FT S OF NW COR NW NW 222913 THENCE E 90 FT N 165 FT, W 90 FT, S 165 FT TO BEG. QC B.573 P.101 LESS N65' TO LUCERO

200511378 06/27/2005 02:45P 30f3 B1412 P498 R 13.00 D 0.00 San Juan County, NH Clerk FRAN HANHARDT

2001 ... by and betw

Sondra L. Ballard inafter called Lessor (whether one or more) and

\_day of \_\_\_\_

Nevember

26th Whose post office address is 507 Pima Ave, Farmington, NM 87401 Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Losser

WITNESSETH, That the Lessor, for and in consideration of <u>Ten and more (30 & more)</u> (<u>VOK DENTET, LAN</u> (<u>VOK DENTET, LAN</u>), netwanted GMOL Lessor. WITNESSETH, That the Lessor, for and in consideration of <u>Ten and more (30 & more)</u> DOLLARS cash in hand puid, the receipt of which is hardy conveloped, and the coronants and agreements benefandary to the solution of the partners of the solution of th

### Township 29 North - Range 13 West, N.M.P.M.

Section 22: Totah Vista Sabdivision: Lots 3 thru 5 in Block Five (5) in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the County Clerk on March 5, 1957

\*It is expressly understood that there shall be no surface use or occupancy of said lands subject to this lease

#### and containing \_\_\_\_\_A752\_acres, more or less

THIS AGREEMENT, Made and entered into this\_

I. It is agreed that this kases shall remain in faces for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from sid longed pressites or on acreage poold therevilt, or offitting operations at a sector and pressites of a sector acreage pool of the pressite of or a sector approach thereaft and the pressite of the primary term of this kess, and to be pressites or on acreage pool therevilt, or offitting or ne-working operations in faces and pressites or on acreage pool therevilt, the constituted of the terms produced for the terms with the constituted on the kess and promoted set with an off the pressites or on acreage pool therevilt, and operations the term of this kess, shall oncide on the kess hall continue in faces as long as operations the term inter(90) days shall chapse between the completion or shandonment of eas well and the beginning of production or from date of comparisons within an hower fund of a set offitting or ne-working operations that be constituted to be constituously protecuted. If the date discovery of old or gas as a set and of such approach construction or the set offitting or ne-working operations within a hower fund due beginning of production or from dates of comparisons within an hower fund does from any course shall be discovered and produced as a result of such operations of the down date of constituent term of this kess, this less shall continue in force so long as ol or gas is produced from the kesses that not terms discuted, and containes of the down construct and produced and produced as a result of such operations within a hower portical herewith, and operations of the down construct and produced from the kesses that and the such approach. Long terms terms of the kesses, the long shall be discovered as a result of such operations at or after the exploration of the primary term. Lesses and produced from the kesses that in the observation and the such approach construct as during or such as of a down in the such

reage surreaction. In consideration of the promises the said Lesson covenants and agroes: Ist. To deliver to the credit of Lesson, face of cost, in the pipe line to which Lesson may connect wells on said land, the equal one-eighth (1/8) part of all oil pr

The example and the body and the lambda by determing to below to by lambda per focus of relations of relations, and to compare the strugglest of st

The Balance are in the young to any constraints or mill plan of development or operation adopted by Lessee and approved by any governmental agency by executing the Jan All express or implied coverants of this lesse shall be subject to all Federal and State Laws, Exceeding Order, Rude or Regulations, and this lesse shall be subject to all Federal and State Laws, Exceeding or the subject to all field and the terminated, in whole or in part, too Lessee held liste is demanded, the field or the terminated in the terminated, in whole or in part, too Lessee held liste is defauld be the terminated, in whole or in part, too Lessee held liste is defauld be the lands bench development to comply therewith, if Compliance is prevented by, or if such fishure is the result of, any such Laws, Order, Rude or Regulation. It is understand Lesses, for themselves end their birts, successors and easings, hereby surreited and be subrogated to the rights of the helder thereof, and the undersigned Lessor, far themselves and their birts, successors and easings, terreity surreits and and such a bench development of Lessor and be subrogated to the rights of the helder thereof, and the undersigned Lessor, far themselves and their birts, successors and easings, terreity surreits and and the states of the parties the terreits. 15. Should any occ or more of the parties thereinshows name and to lessee. It is the same is to binding toporties who is cascut the lesses is balling toporties who is cascut the lesses or all such parties who is cascut the lesses of the parties the terreits of the same and the lessee. 16 WiTNESS WHEEREOF, this instrument is executed as of the date first shows written.

Contra o Sondra & Ballard 585-82-3028 200204104 03/07/2002 02:26P 1of2 B1338 P268 R 7.00 D 3.00 San Juan County, NT Clark FROM HANNGROT And the of the Man

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STATE OF THEW MULIC
COUNTY OF San Lian "

Acknowledgment - Individual(s)

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WHEREOF, I have hereunto sot my hand and affixed by notarial seal the day and year last above

My CHOTIAIN	AL DO	et.	Barber Darrell
OF NEW	ALL ALL		
·	•	· · ·	
STATE OF	•.	1 .	~

COUNTY OF \_\_\_\_\_\_}

Acknowledgment - Partnership/Trust

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

My Commission Expires:

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

Acknowledgment - Corporation

Address

BEFORE ME, the undersigned authority, this day personally appeared \_\_\_\_\_

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Sworn to and subscribed before me, this \_\_\_\_\_day of \_\_\_\_\_ 2001.

My commission Expires:

\_\_\_\_\_

### Quitclaim Deed

This Quitclaim Deed made August 5th 2002, by Sondra L. Ballard ("Transferor") 507 Pima Ave. Farmington, NM 87401

to:

Jesse D. Winters Sr. ("Transferee") 505 Pima Ave. Farmington, NM 87401

Transferor, in consideration of One Dollar, the receipt and sufficiency of which is hereby acknowledged, remises, releases, and forever quitclaims to Transferee all of the interest of Transferor, if any, in an to that real property located in the County of San Juan County, and State of New Mexico, and more certainly described as follows: Lots Three (3), Four (4) and Five (5) in Block Five (5) of Totah Vista Subdivision in the County of San Juan, according to the Plat therof filed in the office of the County Clerk of San Juan County, New Mexico.

To have and to hold, all and singular the described property, together with the tenements, hereditaments, and appurtenances belonging to such property, or in anywise appertaining, and the rents, issues, and profits of such property to Transferee, and Transferee's heirs and assigns forever.

IN WITNESS WHEREOF, Transferor has executed this Quitclaim Deed on the date first above written.

DA NEW State of f County of San Juan

Onlin L Bolland

Acknowledgment

On this 5 day of Augustane abefore me personally appeared Sondra L' Ballard, to me know to be the person described in and who executed the N COUP foregoing Quitclaim Deed and acknowledged to me that  $5h\epsilon$ executed the same as  $h\epsilon r$  free act and deed. COUNTY CLERK Barbie Darrell

) ss

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Page 1 of 2

AGREEMENT made effective this <u>H+</u> day of <u>June</u> 200<u>6</u> by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and <u>Synergy Operating</u>, <u>LLC</u> hereinafter called Lessee, whose mailing address is: <u>P.O. Box 5513 Farmington. New Mexico 87499</u>.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases: and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of <u>New Mexico, San Juan County</u> and is described as follows:

### See the description of leased lands contained in the attached Exhibit

and containing the net access set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessoe would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.
8. Should Lessee be prevented from complying with any express or implied covenant of this Lesse, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducing drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary nowithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.





10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and

This lease shall be binding upon all who execute it, whether may are named in the granting clause execute the Lease or not.
 11. Lease shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
 12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of rold lesses.

said Lessor and Lessee.

Jassie Wint	ধ্য হ
525-09-84	<u> </u>
STATE OF New Menn	
Kan Tra	• • • • • • • • • • • • • • • • • • •
OUNTY OF <u>OUN = )WA</u> On this <u>Julee</u> day	y of $\exists \mu n \in ., 2005$ , before me personally appeared $\exists f \in SSE$ with ers cribed in and who executed the foregoing instrument, and acknowledged that $d \in SSE$
o me known to be the person des executed same	cribed in and who executed the foregoing instrument, and acknowledged that
Witness my hand and s	eal the day and year last above written.
Ay Commission Expires: $\int u h$	4 24, 2008 - HANNEL WALL
V	
STATE OF	
COUNTY OF	§
On this day	y of, 2005 , before me personally appeared
o me known to be the person des executed same	cribed in and who executed the foregoing instrument, and acknowledged that
Witness my hand and s	cal the day and year last above written.
Ay Commission Expires:	Notary Public
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COUNTY OF	int was acknowledged before me this day of 20.05 by
the foregoing martin	of on behalf of said
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	eal the day and year last above written.
My Commission Expires:	Notary Public
STATE OF	)
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COUNTY OF	) nent was acknowledged before me this day of, 20 05, by
	of of of of behalf of said
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	seal the day and year last above written.
My Commission Expires:	Notary Public
	Notary Public
	END OF ACKNOWLEDGMENTS

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WINTERS JESSE D SR 505 PIMA AVE FARMINGTON NM, 87401-7401

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Property Address	Township	Range	Section	QtrQtr	Acres
507 PIMA AVE	29	13	22	NW SW	0.4689
FARMINGTON NM, 87401-7401					
			/ISTA SU B.137	IB LOTS 4 3 P.331	AND
Property Address	Township	Range	Section	QtrQtr	Acres
505 PIMA AVE FARMINGTON NM, 87401-7401	29	13	22	NW SW	0.2281
			VISTA SU 73 P.331	JB LOT 3	BLK

