Producer's 88-(Producer's Revised 1994) New Mexico . 342P, Paid-up

# **OIL & GAS LEASE**

THIS AGREEMENT made this 28<sup>70</sup> day of Ormbor, 2003, between GEONGIA L. BERGSTEN A/K/A GEORGIA LOU LONDON BERGSTEN AM THIS ACALEMENT UNION US AND UP WORKING, CONTROL OF THE AND THE ACCOUNT OF THE ACC

Lessor, is consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royahies herein provided and of the agree ante al I. Lesson, is consumption to the network of the network of the purpose of investigating, exploring, but on use replaces entering product and or the approximation of the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other individual trait in a state of the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other individual trait in a state of the structures and things thereon to produce, and the structures and things thereon to produce, and east of the structures and transport said minarals, the following described land in EDDY COUNTY, NEW MEXICO, to-wh:

### TOWNSHIP 22 SOUTH, RANGE 30 EAST

#### SECTION 24: SW/4 NW/4

#### Said land is estimated to comprise 40.09 acres, whether is schelly comprises more or loss.

ed, this lease shall remain in furce for a term of three (3) years from this date (called "primary term") and as long thereafter as all 2. Subject to the other provi ns herein conta ed iron, said land or from land with which said land is pooled. or ma is produ

The revealities to be traid by Lessee are: (a) on cell and other liquid hydrocarbons saved at the well. 3/16° of that produced and saved from said hand, same to be delivered 3. The royables to be prid by Lesses are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16<sup>®</sup> of that produced and saved from said land, same to be delivered at the vells or to the credit of Lessor in the pipeline to which the wells may be convected; (b) on gas, is challeng casinghead gas or other gaseous subtance produced from said and and out off the premises or used in the manufacture of gasciance or other produced from said and and used off the premises or used in the manufacture of gasciance or other produced from said and and used off the premises or used in the manufacture of gasciance or other produced, the mather value at the well of 3/16<sup>®</sup> of the gas used, provided that on gas sold on or off the premises, the new points of the site of and produced from such said: (c) and at any time when this lease is not validated by other provisions bureof and there is a gas and/or condensate well on said land, or had pooled therewise, as and on the gas used, provide that on gas the gas used, provide that on gas sold on or off the premises, the new point should be predimented from such said: (c) and at any time when this lease is not validated by other provisions bureof and there is a gas and/or condensate well on said land, or had pooled therewise, as an and is not the result of the sold of used at most the should be provide that on gas is and should be therewise. There is an an and to long as a said shul-in royably is paid or tendered, this lease shall not terminate and is abal is, and thereafter at annual fact, producing. The payment would be paid mather this lease that an other gas and promises here evolve the topolation there is a gas and should be paid on tendered to the party or parties who at the there of such payment would be creating the high thereafter and well is a bone file and well is a bone f paymest had been made to Lessee shall correct such error within 30 days after issue has received written notice thereof by certified mail from the party or partice catified to receive payment together with such written instruments (or certified copies thereof) as are occases to easile issue to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price stabilished by the gas takes connected entered into in good faits by Lessee and gas purchaser for such term and under such conditions as are constromery in the industry. "Prior" shall meet the over amount received by Lessee site giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contrast or regulatory orders. In the event Lessee compresent, treats, purifies, or delytaines and gas (whether on or off the lessed premises) or transports gas off the lessed premises, Lessee in computing royative barsunder may deduct from such price a reasonable charge for each durations performed. uch price a reason

4. This is a paid-up lesse and Lessee shall not be obligated during the primary term hereof to commence or coatinue any operations of valuescever character or to make any operations of valuescever character or to make any order to maintain this lesse in force during the primary term, however, this provision is not intended to relieve Lassee of the obligation to pay royalities on actual production p rver character or to make any pays der in order to main ----the provisions or paragraph 3 bereaf.

9. Lesses is hereby granted the right and power, from tims, to pool or combine this lesse, the land covered by it or any part or horizon thereof with any other land, mineral assures or parts thereof for the production of oil or gas. Units pooled bereander shall not exceed the standard promition unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawdi autority for the pool or raws in which said land is alweed, phas a tolerance to the production division of year, other lawdi autority for the pool or raws in which said land is alweed, phas a tolerance to the percent. Lesses shall file written and the designations in the county is which the production of wells. The production of the tent of the state of New Mexico arby any other lawdi autority for the pool or raws in which said land is alweed, phas a tolerance to two percent. Lesses shall file written and production from any part of any sech unit shall be considered for all purposes, accept the payment of royaly, as operations conducted upon or production from the land described in this lesses or and operations, which the net oil or gas access the thehed of any such and the production of pooled minerals from wells in the unit, after deducting any used is lesse or and operations, which the net oil or gas access or delivery of nyulty, to be the castle production of pooled minerals from the portice of surface across in the unit. The production so disclassed for all purposes, including the payments or delivery of nyulty, to be the castle production of pooled minerals from the product hered hered by the lesses in the out of and all all covered heredy and techned in said well in the same manners in though produced informals from the portice of found with the shell were defined of an adjust and the said less of delivery of nyulty, to be the castle production of pooled minerals from the portice of by Lesses by recording an appropriate instruments in the county where the lend is situated

If at the expiration of the primary term there is no well upon said land capable of producing of or gas, but Lessee has communiced operations for drilling or reb. In a ne exprison or the primery term ones is no west upon and and capout or procuring or or gat, but Lesses has commenced operations for drilling or reworking and the second of the second based base

7. Lessee shall have free use of oil, gas and water from and land, except water from Lessor's wells and units, for all operations hereunder, and the royalty shall be compared after doducting any so must. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on and land, including the right to draw and remove all esting. When required by Lessee, lessee, will bury all pipelines an cultivated lands below ordinary plow depth, and no well shall be drilled within two handred field (200 fl.) of any residence or born now on a sid land indicates lessor's consent. Lessor that lesses' is a solared. Lessee, lesser's and the lesser's and residence of any set land within two handred field (200 fl.) of any reinforced dwelling thereout, out of my perplets gas not needed for operations bereander.

ader may be assigned in whole or in part and the provisions here of shall extend to their h 8. III, ELECTRICITS, ac but no change in the ownership of the land or in the ownerskip of, or rights to reserve, royabies or barie noyabies, however, accompliable what operating of the land or in the ownerskip of, or rights to reserve, royabies or barie noyabies, however, accompliable what operate or baries the obligations or diminish the rights of jestee: and so such change or division shall be binding upon lesses for any purpose until 30 days after Lessee has been familished by certified mail at Lesse's principal place of Desiness with accompliable histories thereof consultating the chan of this from the original lessor. If any such change is ownership occurs through the death of the owner, Lessee may, at the from the control of the owner, Lessee may, at to oppose, pay or involve any royantes or shar-to royables in the name of the deceased or to his estate or to his heirs, escandar or administrator unal such time at Lenses has been familiable with evidence satisfactory to lenses as to the persons cutified to such sums. An assignment of this lense in whole or in part shall, to the extent of such assignment, retirve and discharge Lanses of any obligations herearden and, if Lenses or satignee of part or parts hereof shall first or make default in the provinces of the proportionate part of noyaby or shall an royaby due from such Lesses or property comply or make such provisions of this lense, such default and saffect this lense insofar as it covers a part of tooid lands upon which Lesses or property comply or make such proportionate.

9. Should Lesser be prevented from complying with any express or implied covenant of this lesse, or from conducting drilling or reworking operations hereas producing oil or gas hareander by reason of scarchy or inability to obtain or use equipment or material, or by uperation of force majoure, or by any Federal or state law or any o regulation of povermental authority, then while so prevented, Latsee's days shall be expended, and lessee shall not be liable for failure to comply therewild, and this lesse shall be expended, and lessee shall not be liable for failure to comply therewild, and this lesse shall be expended, and lessee shall not be liable for failure to comply therewild, and this lesse shall be expressed counted spinist Lesses, anything in this lesse to the contrary notwithstanding. r. or fr ate haw or any order, rule or

10. Lessor hereby warrants and agrees to defeed tide to said hand and agrees that lessee to its option may discharge any tax, mortgage or other lies upon soid land, and in the event Lessee does to it shall be subrogned to such lies with the right to enforce same and to apply royabies and shur-in royabies payable harvander toward existiying same. Without imprimment of Lessee's rights under the warranty, if this lesse covers a less interest in the oil or gas is all or any part of said land that the enter and undivided for simple states (whether Lessor's instruct is herein specified or not) then the royabies, shut-in royabies, shut-in royabies, and other payments, if any, accruing from any part of said land that his lease covers less than such full instruct, shall be paid only in the proportion which the instruct there is there in the water of the parties samed above as Lessors field to exceet this lease, overs less than such full instruct, shall be paid only in the proportion which the instruct form. If any, covered by this lease, bears to the whole and undivided for simple estates therein. Should any one or more of the parties samed above as Lessors field to exceet this lease, it shall be vertices as the parties executing the same.

11. Lesses, its or his successors, beins and essigns, shall have the right at any time to surrender this lesse, is whole or in part, to Lessor or his heins, necessors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said lend is situated; thereupon Lessor shall be relived from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable bereatder shall be reduced in the proportion that the acreage covered bereby is reduced by said release or re

GEORGIA LA GULA LOU LONDON BERGSTENDEALING IN HER SOLE AND SEPARATE

PROPERTY

T VERNE DWYER OIL & GAS INVESTMENTS 500 W WALL STE 310 MIDLAND TX 79701

PRINTED NAME: GEORGIA L. BERCSTEN

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico Case Nos. <u>13368/13372</u> Exhibit No. 3 Submitted by: Devon Energy Production Company, L.P. Hearing Date: June S, 2006

 $\mathcal{S}^{\prime}$ 

і. 1.

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO lille COUNTY OF BEAM & Ī The foregoing instrument was acknowledged before me this \_ BERGSTEN. ovenker 20 n , 2003, by GEORGIA L. day of My Commission Expires Acre 2, 2007 Pr OTARY 1 . PUB INDIVIDUAL ACKNOWLEDGMENT (New Mesico Short Form) OF NEW! 111 STATE OF NEW MEXICO COUNTY OF i The foregoing instrument was acknowledged before me this day of , 2003, by \_\_ My Commission Expires\_ Notary Public, State of New Mexico Print ed Nama\_ RECEPTION NO: 0315624 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 12/22/2003 8:27 AM BOOK 0534 PAGE 0112 JEAN BLENDEN, COUNTY CLERK 4 .

• •

# **OIL & GAS LEASE**

THIS AGREEMENT made this 2<sup>nd</sup> day of October, 2003, between WILLIAM JEFF GLENN AND I.ORA NELL GLENN, AS TRUSTERS OF THE WILLIAM JEFF GLENN AND I.ORA NELL SMITH GLENN REVOCABLE TRUST DATED FEBRUARY 13, 1992, of 375 Ridge Road, Silver City, NM 88061, bernin called "Lessor" (whether one or mone) and T. VERNE DWYER, 500 West Well, Suite JI4, Midland, Texar 79701, "Lessor":

Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby admowledged, and of the royables herein provided and of the agreements of the Lesses herein contained, hereby grant, lesses and lets actuatively unto Lesses for the purpose of investigating, coploring, prospecting, drilling, and operating for and protocing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing on, building teaks, readways, telephone lines, and other structures and things thereon to produce, save table cars of, treat, process, store and treatoper used minerates, the following described land the LDDY COUNTY, NEW MEXICO, nowles.

#### TOWNSHIP 22 SOUTH, RANGE 30 EAST

### SECTION 24: SW/4 NW/4

### Said hand is estimated to comprise 40.00 acros, whether it actually comprises more or less.

Subject to the other provisions berein contained, this lease shall remain in force for a term of three (3) years from this date (called "primary term") and as long thereafter as oil
or gas in produced from said land or from land with which said land in pooled.

or gos n processo yown awe men or non and wen which takes that the population only, and other liquid hydrocarbons moved at the well, 3/16<sup>th</sup> of that produced and seved from said land, same to be defivered at the wells are to be activity of Lessee are: (a) on oil, and other liquid hydrocarbons moved at the well, 3/16<sup>th</sup> of that produced and seved from said land, same to be defivered at the wells are to be activity of Lessee are: (a) on oil, and other liquid hydrocarbons moved at the well, 3/16<sup>th</sup> of that produced from subtaince produced from said land, same to be defivered at the wells are to be activity of Lessee are: (a) on oil, and other liquid hydrocarbons moved at the well, 3/16<sup>th</sup> of that produced gos or other gase one and of the previses or of the previses or subtaines? produced from subtaines the pipelines to which dive wells may be connected; (b) ong gas, including taking also and/de condemase well on sid land, or land pooled therowith, but gas or condemase is not being so old or used and auto well of 10.0 per one act or of Lessor's gas are being produced from the based by the pay also said thereafter at manual intervals. Lessee may pay to trades in a thorse thus in royable, gas also 10.0 per not act or or of Lessor's gas are being produced thereafter, and bo fing is and intervals based to the party or parties while and that the considered under all clauses hereof the gas and based from the based pressings in paying quantities. Each acch payment or toxic of any alsor as the pipeline to whole or in parts and that the considered under all clauses hereof the gas and a log and all by also also also be and and by check or draft. Any timely payment or toxic of any pay also as the same manues as though a proper payment, based been maked if the same and into the antipy and the same and an any time whole or in parts and pay also as a pay also as a same and the same proper payment. The amount or there of the same and and and or off the prevision share of the payment or toxic of the same manues an tech and an

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatever character or to make any payments hereander in order to make aits primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve Lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve the lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve the lessee of the obligation to pay expanding the primary term; however, this provision is not insended to relieve the lessee of the obligation to pay expanding the primary term; however, this provision to pay expanding the primary term; however, term; however, term; however, term; however, term; however, term; however, term;

5. Leases is hereby granted the tight and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, mineral entaries or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proteines with fixed by law or by the CB Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plot a tubernote to ten percent. Leases shall file written usin derignations in the county in which the production of soil or gas. Units pooled here units may be designated from into to time and either before or after the completion of withs. Drilling operations of or production from the table to considered for any used with shall be considered for any used with the production of pooled minerals from wells in the uset, after deducting any used and described in the mark included in the mark of pooled minerals from wells in the uset, after deducting any used and described in the included in the mark the production of pooled minerals from wells in the uset, after deducting any used and inclusion structure of a production of pooled in the mark of surface acres in the uset. The production to allocated shall be considered for all puppeet. (Including the production to allocated is the used on the total production to mark part of all puppeet. (Including the production to this lease. Any pooled usit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate institution of a day hole or the casesion of production on said uset.

6. If at the expiration, of the primary term there is no well upon said land capable of producing oil or gas, but Lesses has commanded operations for drilling or reworking therean, this lesses shall remain in force so long as operations are prosecuted with no casastion of more than 60 cases whether such operation be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, sther the expiration to the primary term, all wells upon said land shuld be come incapable of producing of ran or easy the lass terms and losses commences operations for additional drilling or reworking which of due to the same well or on a different or an expirate term in the production for an easy to be additional drilling or the production of the primary term, all wells upon said drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thermafter te oil or gas is produced hereunder.

7. Lessee shell have free use of oil, gas and water from said land, accept water from Lessor's wells and tanks, far all operations hereander, and the royalty shall be computed after deducting any to used. Lessee shell have the right at any time during or after the expiration of big lease to remove all property and flatures placed by Lessee, on said land, including the right to date and screave all as any to used. Lessee shell have the right at any time during or after the expiration of big lease to remove all property and flatures placed by Lessee, and shell be drilled within two hundred the (200 ft.) of any residence of new new on side land within the lesse's constant. Lesser shall have the privilege, at his risk and exponent, of using gas from any gas well on said land for stores and inside lights in date principal dwelling thereon, out of any surplus gas not acceed for operations hereunder.

8. The rights of either party horounder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executure, administrators, necessors and assigned, but no echange in the ownership of the land or in the ownership of, or rights to receive, repellies or shar-in royable, however accomplished shall operate to estarge the obligations or diminish the rights of leases: and so such change or division shall be binding upon lesses for any purpose unit 30 days after lesses has been furnished by earnified rush at Lesses's principal place of business with acceptable instruments or certified copies thereof exactly into the change of rights of rights of early or proces units 30 days after lesses has been furnished by earnified rush at Lesses's principal place of business with acceptable instruments or certified copies thereof exactly on the change of the lesses of the owner, Leases any, is option, pay or tender any toyables, a due-in royables in the name of the doceased or to his sature or bis his restore of such satigness or discharge Lesses of any obligations accesses at the process of the part of the last of the owner, Leases any toyable to lesses at the process and in the sature of part of parts to restore the satigness of the context of the context of such assignment, relieve and discharge Lesses of any obligations accesses at the tester of parts are parts bereaf shall dail or make default in the payment of the proportionate part of royably or stan-in royable and the satigness of hall comply with any of the provisions of this lesse, such default shall not affect this lesse insofer to a part of said lasts apun which Lesses or any assignee that the satignests.

9. Should Lessee be prevented from complying with any express or implied covenant of this least, or from conducting drilling or reveaking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operations force majoure, or by any Federal or state law or any order, rais or regulation of governmental authority, then while so prevented, Lessee's doub allow for a state law or any order, rais or und so long as Lessee is prevented by my scale cases that module or module of protocol of the lessee in the scale of the

10. Lessor hereby warrants and agrees to defeed title to said and and agrees that lesses at its quiton may discharge any tax, manuage or other liest upon said land, and in the event Lessor does so it shall be subrogated to such lies with the right to enforce same and to apply royalties and shar-in royalties payebic horsunder toward satisfying areas. Without impairments of Lessor's rights under the warranty, if this less covers a less interest in the oil or gas in all or any part of taid land than the entitie and undivided for simple estate (whether Lessor's interost is horize apocified or not) then the royalties, shart-in royalty, and other payments, if any, accounding from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein date, it shall avortable the state during form any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein date, journe therein. Should any one of the parties annued above as Lesson fail to execute that lesses, it shall avortable as bounding upon the party or parties executing the same.

11. Lessee, its or his successors, beins and assigns, shaft have the right at any time to surrender this lesse, in whole or in part, to Lessor or his heirs, nurcessors and essigns by drivering or making a release thereof to the Lessor, or by placing a release thereof of recurd in the county in which said land is situated; thereupon Lessee shaft be releved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in roysky payable hereunder shaft be reduced in the proportion that the acreage covered hereby is reduced by survival release or heases.

THE WILLIAM JEFF GLENN AND LORA NELL SMITH GLENN REVOCABLE TRUST DATED FEBRUARY 13, 1992

William Gerf Slinal By: WILLIAM JERT GERMAN, TRUSTEE

BY: LORA NELL GLENN, TRUSTEE

TVERNE LUNDER 500LU WALL SE MI Midlond TR TITIO

INDIVEDUAL ACKNOWLEDGMENT (New Mexico Short Form)

STATE OF NEW MEXICO COUNTY OF Mant

. .

The foregoing instrument was acknowledged before me this \_\_\_\_\_\_ GLENN AND LORA NELL GLENN, in the capacity hereis states.

4

V 1) Day

110 the day of actorica

- A BADO SARA BARR ACT LAY 8 د. ج AUBLIC PA OF HEY ........

Mined Nerse Barbaca Barcis

, 2003, by WILLIAM JEFF

RECEPTION NO1 0314331 STATE OF NEW MEXICO, COUNTY OF EDDY Recorded 11/17/2003 10113 AN Book 0530 PAGE 0728 S. Maria Jean Blenden, County Clerk



• •

# **OIL & GAS LEASE**

THIS AGREEMENT made this 20° day of Octoberr, 2003, between KENNETH MARK SMITH A/K/A KENNETH M. SMITH, AND WIFE, PATSY LOU SMITH, of 207 Smith Ranch Road, Hobbs, NM 88249, herein called "Lessur" (whether one or more) and T. VERNE DWYER, 500 West Wall, Saite 310, Mid ni, Texas 79701, "Les

Lessor, in consideration of TEN AND OTHER DOLLARS is hand paid, receipt of which is hereby acknowledged, and of the nyrabits horsin provided and of the agreements of the Lessor herein contained, hereby grants, lesses and less acclusively unto Lesser for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting yas, waters, other fluids, and air into unburface strate laying pipelines, soring oil, building takes, readways, kiephone times, and other structures and things thereon to produce, and the care of, treat, process, store and transport mid minerals, the following described land in EDDY COUNTY, NEW MEXLCO, to-wist

# TOWNSHIP 22 SOUTH, RANGE 30 EAST

### SECTION 24: SW/4 NW/4

#### Said land is estimated to comprise 44.00 screat, whether is actually comprises more or loss.

2. Subject in the other provisions, herein coolained, this lease shall remain in force for a term of three (3) years. from this date (called "primary term") and as long thermafter as tail

3. The soyables to be paid by Lessee are: (a) on oil, and other liquid hydrocarbous saved at the well, 3/16<sup>th</sup> of their produced and saved from axid land, some to be delivered at the wells or to the oregin of Lessor in the pipeline to which the wells may be connected; (b) on pas, including catingheed gas or other passeous subsame produced from said land and used off the premises or used in the manufacture of gasotine or other produces, the warks value as the well of 3/16<sup>th</sup> of the gas used, provided fram on gas told on or off the premises, the wyahies shall be the premises or used in the manufacture of passine or other products, the markes value at the well of M16<sup>®</sup> of the gas used, provided that on gas told on or off the premises, the voyables shall be M16<sup>®</sup> of the amount realized from such assis; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on assid and, or hand pooled therwith, bugst or condensatis is not being so sold or used and nack wells is hari-si, sither before or after production therefrom, then on or before 90 days abor said wells is bait in, and thereafter at smull intervals, Lease may pay or tender an advance abui-in royally equal to \$1.00 per net zore of Lessor's gas arctage then held under this lease by the party making such payment or tenders, and so long as said shu-in royally is paid or tendered, this lease shall not terminate and it shall be considered under all cleases hereof flat gas is being produced from the leased premises in paying outputs. The payment are the pay of tender an advance abui-in royally equal to \$1.00 per net zore of Lessor's gas acreage then held under this lease by the party making such payment or tender, and to long as said shu-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all cleases hereof flat gas is being prochaed from the leased premises in paying overli were in fact producting. The payment or index of royalties or shut-in royalties may be made by check or stall. Any timely payment or tender of shat-is moyalty which is measure as the core in parties or at shut within 10 days after leases that an received written notice theorefly or garmet. The payment are tenders able corect and enter or in parties or anount, shall never include and flows hereofly or cartified and flow the pay to the pay and in a both flat arrouge payment had been made if Lesses shall corect such error his base in the same tender of the parties entided to to receive payment together with such written instruments (or ce

4. This is a paid-up lease and Lesset shall not be obligated during the primary term hereof to commence or commune any operations of whotoever character or to make any syncers hereunder is order to makes any operations to pay royalties on actual production around to the provisions or paragraph 3 hereof. payments hereu

5. Leases is breely granted the right and power, from time to time, to pool or combine this lesse, the land covered by is or any part or barizon thereof with any other land, minural exacts or parts thereof for the production of oil or gas. Units pooled hereunder shall not an exced the sunder promision and fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance to ten percent. Leases shall file written usit designations in the county in which the production of and such units may be designated from time to time and either before or star the completion of wells. Drilling operations as the production from any part of sity the division and part of any part of sity the division and percent for all proposes, recept the perpendence of from time to time and either before or star the completion of wells. Drilling operations as the production from any part of sity the division and percent division from the test to time and either before or star the completion of wells. Drilling operations as the percent of any part of any production from time to time and either before or star the completion of wells. Drilling operations as the set of or gas accesses in the land covered by this lease included in the unit hears to the total function function from the land. The production to allocated shall be considered for all perposes, including the production of pooled minerals from the portion of and the advective of organ. These shall be considered to the land covered by this lease included in the unit hears to the total functional functions the production to allocated shall be are an any production from the land. The production to allocated shall be are any and and the structure of the structure of structure of start hear any enderthy and heat and the intervent of the structure of a structure of the structure of start hear any enderthy of the structure of the structure and

6. If at the expiration of the primary term there is no well upon said tend capable of producing of or gas, but Lesses has commenced operations for drilling or reworking thereon, this lesse shall remain in force so long as operations for drilling or reworking markinonal well or wells, and if they result is the production of oil or gas, as long thereafter as oil or gas is produced from said tend. If after the expiration of the primary term, all wells upon said lend but the source operations for drilling or reworking that so the same well or on a driftened or additional wells of they result in the production of oil or gas, so long thereafter as oil or gas is produced from said tend. If after the expiration of the primary term, all wells upon said lend should become inceptable of producing for any envelopment. If any drilling, additional willing, or reworking within 60 doys thereafter. If any drilling, additional drilling, or reworking operations herounder, result is production, then this lesse shall remain in full force to long thereafter as oil or gas is produced for the same set. If any drilling, additional drilling, or reworking operations herounder result in production, then this lesse shall remain in full force to long thereafter as oil or gas is produced herounder.

7. Leasee shall have fee use of oil, gas and water from said land, except water from Lesser's wells and tanks, for all operations betwarder, and the compared after decharing any so used. Lessee shall have the right at any time during on after the expiration of this lesse to remove all property and fixtures pleced by Lesses on said land, inclusing the right at any time during on after the expiration of this lesse to remove all property and fixtures pleced by Lesses on said land, inclusing the right at any time during on after the expirations on cubicked hands below ordinary plow depth, and no well shall be drilled within two bandwed for (200 %) of any residence of bern one one used in the driven lesser's conset. Less well on asid land for anoves and analytic legits by the principal dwelling thereon, out of any anythes gas not needed for operations hereunder.

8. The rights of either party betwarder may be assigned in whole or in part and the provisions hereof shall extend to their beirs, excedars, administrators, successon and assigner, but no charge in the ownership of the land or in the ownership of, or rights to receive, royables or shad-in royabies, however accomplished shall operate to enlarge the obligations or diminish the rights of Lesser: and no such change or division shall be binding upon lesses for any purpose out 30 days after Lessen has been familied by certified mail at Lesser's principal place of business with acceptable instruments or certified copies thereof constituting the chain of this flows the driginal lesser. If any successor and subjects or shad-in the provision, pay or thadar any royabies or shad-in of this flows the driginal lesser. If any successor and no such charges the destination of works, tasser may, at its option, pay or thadar any royabies or shad-in of this flows the driginal lesser. If any successor well access these been harming the charge the same of the decreased or to his estans or to his heirs, executes or administrator well and time as Lesser has been farmiable with evidence satisfactory to lessee as to the paroons entided to each sume. As assignment of this base in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee or assigner or fail to comply with any of the provisions of this lesse, auch definds shall not affect this lesse is a boorder as it covers a part of mail lesses or any assignee thereof shall.

9. Should Lesses be prevented from complying with any express or implied covenant of this lesse, or from conducting drilling or reworking operations bereauder, or from producing oil or gas bereauder by reason of sourchy or insbility to obtain or use equipment or material, or by operations of force majoure, or by any Federal or uses into only order, rule or regulation of governmental authority, then while to prevented, Lesses's dary shall be suspended, and lesses shall not be liable for failure to comply thermulat, and this lesses shall be concluded while audit to log so the lesses is prevented by any such cause them conducting drilling or prevented standard while or out of the lesses is prevented by the substance conducting drilling or prevented shall not be lesses in the lesses in the lesses in the lesses is a prevented by any such cause them conducting drilling or prevented standard while or unter a gainst Lesses, anything in this lesses to the contrary norwitestanding.

10. Lessor hereby warrants and agrees to defend trite to said land and agrees that lesses at its option may discharge any tax, mantgage or other lien upon and hard, and in the event Lessee does no it shall be subrogated to such lien with the right to enforce same and to apply royahies and shar-is royables payable hereunder roward satisfying same. Without impairment of Lessee's rights under the warranty, if this lesse covers a less instreas in the of or gas in all or any part of said land that the exist and undivided fee simple estate (whether Lessor's inserent is horein specified on not) then the royahis, sharling and other payments, if any, serving from any part at to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein. Should any one or more of the parties paned above as Lessors full to execute this lease, it shall avertables be binding upon the party or parties encuting the same.

11. Lessoe, its or his successors, beirs and assigns, shall have the right at any time to surrender this lesse, in whole or in part, to Lessor or his hairs, successors and assigns by delivering or mailing a triass thereof the Lessor, or by placing a release thereof of record in the county is which said land is situated; thereupon Lesson shall be releved from all obligations, expressed or implied, of this agreement as to acreage to surrendered, and thereafter the shuf-in royalty payable hereunder shall be reduced in the proportion that the average covered hereby in reduced by additionates.

KENNETH MARK SMITH

PATER LOUSMITH PATER LOUSMITH TVERNE DWY ( SOOWWALL STE 310 Midland TX. 79701

STATE OF NEW MEXICO COUNTY OF Edd i 6+L NOLO BE R. 2003, by KENNETH MARK ed before me this SMITH My Commission Expires 5-7-2006 LAURA AN Printed Na OM INDIVIDUAL ACKNOWLEDGMENT (New Merte Stort Fo STATE OF NEW MEXICO COUNTY OF Edd. November 2003, by PATSY LOU 6+2 nt was acknowledged before me this dav of SMITTL My Commission Expires 5-7-2006 LAURA ANNALLE 0 IT BA ວເ 281 RECEPTION NOI 0314596 STATE OF NEW MEXICO, COUNTY OF EDDT RECORDED 11/24/2003 10:35 AM EOOK 0531 PAGE 0472 JEAN BLENDEN, COUNTY CLERK

Producer's 88-(Producer's Revised 1994) New Mexico a 342P, Paid-up

# OIL & GAS LEASE

THIS AGREEMENT made this 2<sup>nd</sup> day of October, 2003, between WILLIAM C. SMITH A/K/A WILLIAM CREED SMITH, AND WIFE, NANCY SMITH, of P.O. Box 727, Lovington, NM 88268, berein called "Lessor" (whether one or more) and T. VERNE DWYER, 500 West Walk Seith J10, Midhad, Texas 79701, "Lessor":

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, raceipt of which is broby acknowledged, and of the royshine hereia provided and of the agreements of the Lesson hereia contained, hereby grants, lesses and less exclusively unto Lesser for the producing of which is hereby acknowledged, and of the royshine hereia producing of and gran, injecting gas, waters, other fluids, and at it most absurface strate laying papelines, storing oil, building tanks, roadway, herebyote thes, and other structures and things thereon to produce, and at a case of, truet, process, size and transport and minorely, the following described hand in EDDY COUNTY, NEW MEXICO, to-wit:

## TOWNSHIP 22 SOUTH, RANGE 30 EAST

# SECTION 24: SW/4 NW/4

Said land is estimated to comprise 40.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein constrined, this leave shall remain in force for a term of these (3) years from this data (called "primary term") and as long thereafter as all or gas is produced from said lead or from land with which said lead is possible.

or ges it produced from and time of men tube was which and tube is possed.
3. The royalties to be paid by Lesses int: (a) on oil, and other liquid hydrocarboxs saved at the well, J/16<sup>th</sup> of this produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land, same to be delivered or to the credit of Lessor in the pipeline to which the wells and the well of J/16<sup>th</sup> of the gas used, provided thus on gas told on or off the premises, the royalties shall be J/16<sup>th</sup> of the amount realized from each task: (c) and at any time when this lazes is not validated by other provisions hereof and there is gas and/or condensate well on gaid land, or land pooled therweith, but gas or contensate is not being as odd or used and such well is that i.e., nither before or after production therefore, then on or before 90 days efter said well is that i.e., and hereafter at sexanal intervals, Lessee that part or tendered, this lesse thall not terminate and it hall be considered under di be easied to receive the royalties which would be paid out to the lesse if the well well is the same fit well well is that i.e. and thereafter at mount is fact producing. The payment of lessee of royalties are involved to the part or parties who at the time of its access the royalties which would be paid to the the less if the well well is the serie to royalties which would be paid to the lesse if the well well is the serie to royalties which would be paid to the lesse if the well well is the serie to royalties which would be paid to the lesse if the well well well is the serie to royalties which would be paid total to receive payment at the less if the well well is a the s

4. This is a paid-up lease and Lease ahalt and be obligated during the primary term hereof to commence or continue any operations of whatenever character or to make any psyntamia hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Leases of the obligation to pay royalties on actual production parameter the provisions or paragraph 3 horned.

5. Lease is hereby graved the right and power, from true to time, to pool or combine this lease, the land covered by it or may part or horizon thereof with any other hand, mineral enters or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard protestion unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or eras in which asid land is situated, plus a tolerance to ten paronst. Leases shall fit written unit discipling and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which asid land is situated, plus a tolerance to ten paronst. Leases shall fit written unit designated from more to time and either before or after the construction of wells. Drilling operations on or production from any part of any seat or the shall be considered for all propess, the provide the provident of from the provide state of the law covered by this lease included in that portion of the taul production of pooled wintershal from wells in the andice described in the laws or unit operations, which the are of or gas acreage in the land covered by this lease included in the same beam to the total souther of starface acres in the andi. The production so allocated shall be asseen to be tensive of rough production of pooleced minershal from wells in the anticked from any law of the lawder of barry part of the state or unit operations, which the are of or gas acreage in the land covered by this lease. Any poole on the inscients from the production of barry and thereshold in the units and to may barry of all and the tensile and covered by this lease. Any pooled with the production of pooled minershal from the product in the fact state and the product and the product on the product the product on the product mineshof from the product on the product on the product and the product any produce the product ony produce the product ony prod

6. If at the expiration of the primary term, there is no well upon said had capable of producing of or gas, but Leases has commenced operations for drilling or reworking thereans, this lease shall remain is force to long its operations are prosecuted with no cansanion of more than 60 consecutive days, whether such operation he on the same well or on a different or additional well or wells, and if they result is the production of oil or gas, to long thereafter as oil or gas is produced from soil land. If after the expirations of the primary term, all wells upon said land should become inceptible of producing or any consecutive days, thereafter as oil or gas, but Leases commences additional wells or of the primary term, all wells upon said land should become inceptible of producing or any consecutive the terms of the present of the presenters. If any drilling, additional drilling, or reworking operations herounder runt is producion, then this lease shall means in hill force so long thereafter as oil or gas is produced becaused.

7. Lesses shall have first use of oil, gas and water from said land, except water from Lassor's wells and tanks, for all operations hereunder, and the royalty shall be companie after deducting any so used. Lesses shall have the right at any time during or after the expiration of this lesse to remove all property and finances placed by Lesses and aid hard, including the right to draw and remove all exposet. When required by Lesses, Lesses will bury all pipelines on cubivated hards below ordinary plow depth, and no well shall be drifted within two hundred field (200 ft.) of any residence to be more an aid land without Lesse's consent. Lessor's stall have the privilege, at his risk and express, of using gas from any gas well on said land for stores and inside lights to the privilege dwelling thereas, out of any supplus gas not seeded for operations becomder.

8. The rights of either party increased may be assigned in whole or in part and the provisions hereof shall evend to their hairs, executors, administrators, maccessors and assigned, but no charge in the ownership of the land or in the ownership of, or rights to reactive, royahies or alsorie rowers ecomplished shall operate to enlarge the obligations or diminab the rights of Lessee. and to auch charge or division shall be binding upon bases for any purpose out? 30 days after Lessee has been furtished by certified mail at Lesses is principal place of business with acceptation certified copies thereof owning in the newsor of the second or the integer in ownership occurs through the owner. Lessee tay, at its option, pay or tender may royahies or shur-is royahies in the news of the decased or to be steared or to be integer in ownership occurs through the owner. Lessee Bardished with evidence with acceptations are not the format entry orgahies are to the decased or to be steared or to be integer in ownership occurs through the owner. Lessee Bardished with evidence with acceptations is not the news and the average Lessee of any obligations. If any such thanks of the rower of marks are shurbled or the integer in ownership the owner. Lessee Bardished with evidence with acceptates are to the provision structure of any above and discharge Lessee (any obligations). If any such thanks of the rower of marks and the structure of the rower of any above and discharge of the lessee has been for marks and the rower of the rower o

9. Should Lesses be prevented from complying with any express or implied covenues of this lesse, or from conducting drilling or reworking operations hareunder, or from producing off or gas hereunder by reason of scarcity or insbibity to obtain or use equipment or material, or by operations of force majoure, or by say Foderal or state haw or any order, rule or regulation of governmental authority, then while to prevented, Lesse's duty shall be suspended, and lesses shall not be liable for failure to comply therewish; and this lesse shall be estimated while and so long as Lesses is prevented by any such cause from conducting officing or provided and lesses shall not be liable for failure to comply therewish; and this lesse shall be estimated while and so long as Lesses is prevented by any such cause from conducting officing or provided and no lesses of from producing oil or gas hereunder; and the time while Lesses is any prevented by any such cause from producing operations or from producing oil or gas hereunder; and the time while Lesses is any prevented by any such cause from producing operations or from producing oil or gas hereunder; and the time while Lesses is prevented by any such the such cause from producing or gas hereunder; and the time while Lesses is an prevented by any such that the data as the set of the such cause from producing operations or from producing oil or gas hereunder; and the time while Lesses is an prevented by any such to cause from producing operations or from producing oil or gas hereunder; and the time while Lesses is prevented by any such that the such of the lesses of the total of the less of the total of the less of the less of the lesses of the less of the

10. Lessor hereby warrants and agrees to defend title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lies upon said land, and in the overal Lessee dust as it shall be sub-ognized to such lies with the right to enforce takes and to suppy royables and shar-in toy strike payable horeundes wwwerd saidlying some. Without lognizement of Lesser's rights under the warranty, if this lesse covers a less instrum is the oil or gas in all or any part of mid hand than the envire and undivided fire simple estate (whether Lessor's instrum is procified or not) then the royables, shut-in royably, and other payments, if any, accruing from any part of mid had than the envire and undivided fire simple estate (whether Lessor's instrum is the oil or gas in all or any part of mid had than the envire and undivided fire simple estates (whether Lessor's instrum is proportion which the interest therein, if any, accruing the bars to the whole and undivided fire simple estate there is any, and other payments, if any, accruing from any part as to which this lesse covers less than such all interest, shall be paid only in the proporties which the interest therein, if any, accruing the bars to the whole and undivided fire simple estate therein. Should any one or more of the parties named above as Lessors fail to encourse the less, if a shall nevertheless be binding upon the party or parties accouring the same.

11. Lessen, its or his successors, heirs and assigns, shall have the right at any time to surrender this lesse, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof of record in the county in which said land is situated; theremon Lassee shall be releved from all obligations, expressed or implied, of this agreement as to acreage no surrendered, and thereafter the situation in royaby payable hereander shall be reduced in the proportion that the acreage covered hereby in reduced by said release.

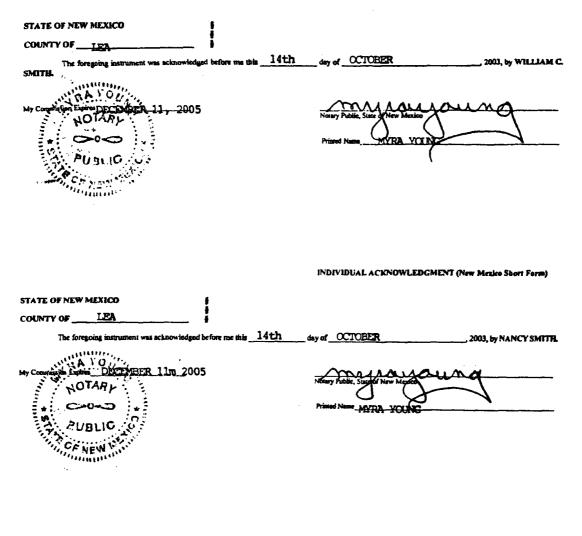
WILLIAM C SMITH

Mancy Smith

TVARKA LANGER 310 Source ( 100-11 310) Mardia da

ŝ,

.



RECEPTION NG: 0314330 STATE OF NEW MEXICO, COUNTY OF EDDY RECORDED 11/17/2003 10:11 AM BOOK 0530 PAGE 0726 B.Mitune JEAN BLENDEN, COUNTY CLERK



,