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shall not be counted agained lessee, and this lease shall be extended for a period of time equal to that during which such lessee is so prevented from conducting drilling or reworking operations on, or producing ail or gas from, such leased premises or land pooled therewith,	tions on, or producing ail or gau	or reworking opera	n conducting drilling	so prevented troi	ich lessee is c	to that during which s	l for a period of time equal t	ase shall be extended	see, and this lea	I not be counted against less	948
covenants of this lease shall be explicit to all Federal and State leves. Executive orders, hiles of regulations and this wase shall not be terminated, in where or in part, hit resserve here here in unitages to moving where we have the control of the result of, any such law, order, hite or regulation. And if from such cause lesses is prevented from conducting drilling or reworking operations on, or producing of the kased premises or land pooled therewith, the time while lesses is prevented from conducting drilling or reworking operations on, or producing of the kased premises or land pooled therewith, the time while lesses is prevented.	the leased premises or land po	ng oll or gas from, l	alions on, or product	r reworking oper	cling drilling o	regulations and misk	Executive orders, rules or rom such cause lesses is p	or regulation. And if h	aw, order, rule	renants of this lease shall be t ine is the result of, any such is	
(3) When drilling or other operations are delayed or interrupted by storm, nood or order and inclusive under an event of the losses, in the line of such delay or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption shall not be counted against lesses, anything in this lease to the contrary notificities or interruption interruption in the contrary notificities or interruption shall not be counted against lesses anything in the contrary notificities or interruption in the counter or interruption interruption in the counter or interruption interruption in the counter or interruption in terruption in the counter or interruption or interruption interruptint interruption interruptint interruption	ets to transport or names to the e	nted against lesse	ption shall not be cou	1 delay or interru	e time of sud	oo, ine, war, revenue	a whatsoaver beyond the o	s a result of any cause	vernmeni, or a	When drilling or other operation or recessive of the gov	bai tech
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of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereoil. Lessee shall not be liable for anted, delayed or interrupted.	ention or delay shall be added t	veriod of such prev	Jessee's option, the p	or delay, and at l terrupted.	th prevention delayed or int	ninate because of suc	Irol, this lease shall not tem production or other operation	is lease when drilling,	e not reasonab	production, or by any other cause not reasonably within Lessed's control, this lease shall not terminate because of such prevention or delay, in breach of any excess or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.	pro: brea
and the price of oil, gas and other substances covered hereby. When drilling, reworking production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, hel access or easements, or by line, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, hol, sinke or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such	or by inability to obtain necessa narket for production or failure	ulations or orders, ain a satisfactory r	such laws, rules, reg	ed or delayed by or labor disputes	s are prevent: n. riol, slrike	ion or other operation 9. rebellion, insurrectk	n drilling, reworking product ar conditions, war, sabotage	covered hereby. When lood: adverse weathe	vr substances c anta or by lire,	the price of oil, gas and othe	elec
to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells,	thority having jurisdiction induc	y governmental au	ons and orders of an	/8, rulee, regulat	applicable law	shall be subject to all	hether express or Implied,	ns under this lease, w	see's obligatio	Regulation and Delay. (association of the lease, whether express or implied, shall be subject	- (2)
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lease to the	o prevented shall not be count	ne while lessee is t	ereunder, and the lit.	ucing oil or gas t) or from prod	r reworking operations	e from conducting dailing o	vied by any such cause	Issee is preven	anded while and so long as le	exte
(1) Should lessee be prevented from complying with any expression implied coverant of this lease, or from conducing dilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scatchy or inability to cotain or use equipment of material.	s hereunder by reason of scarr see shall not be liable for failun	producing oil or ge uspended, and les	a hereunder, or from saee's duty shall be s	votking operation so prevented, le	drilling or rev. ly, then while	se, or from conducing governmental authori	implied covenant of this lea	g with any express of stat or state law or any	from complying or by any Fede	Should lessee be prevented.	(1)
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Gillegolo In Lot 4 server a server and a server			1/4 Royalty				(Snyder Handtes)			Section 5: Lots 3, & 4	Se
Location by	Gillespie et a	10	Full Int	58 4/29/59	4/29/58	Auairai	Warren M. Snyder		101 53	22A, 23A - T-16-S, R-36-E	• • • • •
						 March 1991 And Andrew Constraints March 2000 Andrew Constraints March 2000				Section 5: Lot 5	<u></u>
		and the second		-			(Snyder Panches)			Section 6: Lot 1 7 & 8	Se
(3) Snyder EC Com #1 Well	Gillespie, et al	170,81	Ful Inl.	56 7/20/61	7/20/66	Austral	Warren M. Snyder		F 170.81	168 - 17 & 228 - T- 16S 8-36-F	H91
	A second seco		3/16 Hoyally			a construction of the second se	(Snyder Panches)			2	
() Sryder EC Com # Well	Cillespie, et al	50.83		38 3/21/59	3/21/68	Austral	Warren M. Snyder		E	16A Section 6, 1: 16-S, R-26-E	16A
PRODUCTION OTHER	AND PERCENTAGE	Y NET ACRES	N INTJROYALTY	E EXPIRATION	DATE	LESSEE	LESSOR	S LEASE 1	ACRES	RACT #/DESCRIPTION	TRA

1451: 134

25667 GAS AND MINERAL LEASE

WARREN M. SNYDER, ALSO KNOWN AS WARREN SNYDER AND AS W. M. SNYDER, Dealing with his sole and separate property, Lovington, New Mexico (Port Office Address)

18

AUSTRAL OIL EXPLORATION COMPANY, INC.

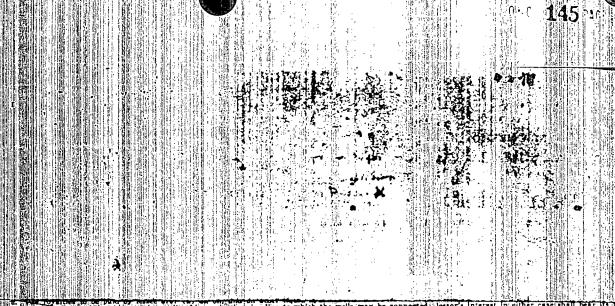
In hand bad receipt of which is here Schowledged, and of the foralities herein provided and of the agreements of the lessee herein contained, hereby grants lesses as its exclusively untoil size for the burger of livertifying. The properties of the lessee herein contained, hereby grants lesses as injecting grants, its control of the synchronic structures in the synchronic structure is and all other structures in the product and all other structures and transport said minerals and other products manufactured therefrom, and housing and otherwite structures is and other with the end of the synchronic structure is and other with the synchronic structure is and other with the synchronic structure is and otherwite structures and transport said minerals and other products manufactured therefrom, and housing and otherwite structures is attracted. The synchronic structure is and other with the synchronic structure is and otherwite structures are structures and transport said minerals and other we with the synchronic structure is and the synchronic structure is and transport said minerals and other we with the synchronic structure is and the synchronic structure is and the synchronic structure is an and the synchronic structure structure is an and the synchronic structure stru

Lots One (1), Seven (7) and Eight (8) in Section 6, Township 16 South, Range 36 East, and Lot Five (5) of Section 5, Township 16 South, Range 36 East, N.M.P.M.,

Township Range For the purpose of calculating the rental payments hereinafter provided for, said hered is estimated to comprise 170.81 comprise more less the other provisions herein contained, this lesse shall remain in force for a term of the other provisions herein contained, this lesse shall remain in force for a term of the other provisions therein contained, this lesse shall remain in force for a term of the other provisions herein contained, this lesse shall remain in force for a term of the other provisions therein contained, this lesse shall remain in force for a term of the other provisions the other provisions therein contained to a term of the other provisions the other provisions

The royarties to be paid by lesses are: (a) on oil, and on other liquid hydrocarbons saved at the well, 5/32nds of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; lessor's interest in the pipe line to which the wells may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 5/32nds of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 5/32nds of the amount realized from such sale; (c) on all other minerals mined and marketed, 5/32nds either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar. and marketed, 5/32nds either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar (\$1 00) per long ton: and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term 'gas well' shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of minety (90) day. then its shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such nimety-day (90-day) period, lessee or any assignee hereunder ay pay or tender an advance annual royalty equal to the amount of delay entails provided for in this lease for the acreage then held under this ease by the party making such payment or tender, and if such payment or ender is made, this lease shall continue in force and it shall be con-idered that gas is being produced from the leased premises in paying quantities within the meaning of paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is eing produced from the leased premises in paying quantities sich in the meaning of said paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be paid or tendered in the same manner as provided herein for the payment retender of delay renals; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

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metrolice delivered at the wells of to the eredit of lessor in the pipe the to which the wells may be connected intervent intervent intervent in the pipe the to which the wells and all graseous substances. Produced from the data substances into the market value at the rocurh of the well of one-gradener of the gras of sold on the provided that on gras including cash and all graseous substances. Produced from the data such as fold on the rocurh of the well of one-gradener of the gras of sold on the rocurh of the well of one-gradener of the gras of sold on the sold at the well of one-gradener of the graseous automances of the sold at the well of market and market and in a provided that on gras including cash and all gradeous substances. Produced from the sold at the well of market and market and on a substances in and the market and market and on the sold at the well of mission of the gradeous substances. The one-gradener has one sold of the term including cash and all gradeous substances in and in the market and in a substance is a sold on the sold for the gradeous automarket and the sold of the sold at the well of mission the date sold for the gradeous automarket and the sold of the sold

etainerty the payroan or lender of delay rentals; royalty accruing to the owners thereof on any production from the leased premiers during any annual period for Carbon of the second of the second of the second of seld land or on land peeled therewith on or before one (1) year from this date, this lease erminate as to both parties, unless on or before one (1) year from this date lease shall pay or tender to the lessor a rental of 170, 81 carbon of the second of the second

Month? debt during the primary term. Payment or tender may be made to the lessor or to the late to the date of the date of the second and lessor's successor and assign from the second and the second assign from the second and the second and the second assign from the second and the second assign and the second assignment or tender of rental may be made by check or draft of lessee, mailed or delivered to said the second assign from the second assignment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more the second assignment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more the second the interval the right to provide the second assignment or tender of rental may be made by check or draft of lessee, mailed or delivered the right to provide the second second assignment or tender of rental lesse. It has the second second assignment or tender of sec

default until thirty (20) days alter resonant of tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or renter resonant of tender of, rental paying date. If more than one on or before the rental paying date. If more than one on or before the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental paying date. If the set here of the rental the right to pool or unitize this lesse, the land covered by it or any part there of with any other land; lesse is a toler set the set of the set of the production of oil, gas, or any other minerals. Units pooled for oil here under is all not exceed forty (40) acres plus a, toler and the best cent (10%) there of and units 'pooled for gas here under shall not exceed as the under forty (60) acres plus a, toler and the producting allowable on acresse ball the written unit designations in the county in which the premises are located. Such units may be design be used if hauch allocation or allowable. Issues shall prilling operations and production on any part of the pooled or wills be located in the land covered by this less or not the inter acresse pooled into a unit shall be treated for all purposes, except the payment of rental may be the inter acresse as include a production of the rought lessor shall receive on production from a unit so pooled only such and the right is pooled or all the right resonant of the rought lessor shall receive on production from a unit so pooled only the indice and production of the rought lessor shall receive on production from a unit so pooled only the rought less of pooled in the rought lessor shall receive on a rought bears of poole to all acresse as pooled in the rought lessor shall receive on an acresse basis bears to the total acresse as pooled in the rought

As sTI prior to discovery of oil, gas, or other minerals on said land or on land pooled therewith, lesses shall not terminate if lesses commences and the production thereon of it. after discovery of oil, gas, or other minerals the production thereof should ocase from any cause, this lease shall not terminate if lesses commences and there is the production thereof so it is the production and the primary term) commences of resumes the payment or tender of rentals on or before the restrict of the primary term is the production of prior before the restrict ensuing after the expiration of three (1) months from date of completion and abandonment of said dry hole or holes of the costant of the primary term) commences of resumes the payment or tender of rentals on or before the restrict ensuing after the expiration of three (1) months from date of completion and abandonment of said dry hole or holes of the costant of the primary term. (1) the primary term is not before on a said the primary term of the primary term (1) gas, or other mineral is not being produced on said hand or is and pooled therewith but lesses is then engaged in operations in the destine of the primary term of the primary term, of the primary term of the primary te

The second state of the second state of the second state and state from lessor's wells and tanks; for all operations hereunder; including repressiving the second state deducting and second strice deducting and second strice deducting and second strice deducting and second strice deducting second state deducting second strice deducting second second strice deducting second secon

Is the rights offeither party hereunder may be assigned in while of in part and the provisions hereof shall extend to the heim. Executors, and instantiations and the provisions hereof shall operate to enlarge or division in the ownership of the land, rentals or royalties, however accomplished; shall operate to enlarge the obligations of diminish the jrights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee, for any purpose until such person acquiring any jutterest that furnished lessee with the instruments, or certified copies thereof. constituting his chain of tille from the original lessor. In the event of any saving or the solution of asid land, the rentals payable hereunder shall be apportioned as between the several lessehold owners in the terms of the surface area of such and default in rental payment by one shall not affect the rights of other leasehold jowners. An assignment of this lesse in the origin part, shall, or the extent of such assignment, relieve and discharge lessee of any obligations hereunder. An assignment of the letter of shall fail formake default in the payment of the proportionate part of the rentals due from such lessee or assignee of fail to comply with any other provision of the letters, such default and in the overamit of the proportionate as part of said lands upon which lessee or any assignee thereof shall make payment of assigned or interrupted by storm. flood or other set of God, fire, war, rebellion, insurretion, rict, strike, difference with the faile wards and the coverant of this lesse that ime of an default in a such assigned or interruption shall be apportation. The set of sail and the coverant of the coverant of the lesse of any assignee thereof shall and the coverant of the coverant of the representation of as a result of some order, requisition or necessity of the goverament, or as a result of some order, invehile order and the coverant of the lesse is a througher on the represent on the set of regul

(1) [110] 71 Exic hereby wirrants and agrees to defend the itle to said land, and agrees that lesses, at its option, may discharge any tax, mortgage, or other lien upon the right in and in the event lesses does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward and in the event lesses does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward and in the event lesses does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward and in the event of failure of title lit is agreed that, it lessor lowns an interest in the warranty in the event of failure of title lit is agreed that, it lessor lowns an interest in the warranty in the event of failure of title lit is agreed that it lessor lowns and independent and land lies and real apply and in the royalties and real apply and in the royalties and rentals to be paid lessor shall be reduced proportionately; should any one or more of the parties named abov its lesser it shall nevertheless be binding upon the parties executing the same it shall nevertheless be binding upon the parties executing the same it shall nevertheless be binding upon the parties executing the same it shall nevertheless be binding upon the parties executing the same it shall nevertheless be binding upon the parties executing the same it shall be reduced of the parties of the parties are shall be reduced proportionately.

The interface distribution is the second and assigns and assigns and assigns by delivtering of mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said and is situated; thereupon lesses shall be relieved from all obligations expressed or implied, of this agreement as to acreage so surrendered, and the leafter the reliate release thereof in the county in which said and is situated; thereupon lesses shall be reduced in the proportion that the acreage over deverd hereby is reduced by said release or release.

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COUNTY OF

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100 this 20 B A D., 19.56, before me person s Warren Snyder and as W. M. Snyder, preparty, to me personally known to be the person JUL his free act and deed owledged that __he __ executed the same as. ent, and ack moing instrum unto set my hand and official seal on the day and year in this certificate first above written ercof, I ha eher U.H. TrancesB Commission expres W Comprison Epires March 11, 1958

THE STATE OF NEW MEXICO COUNTY OF

on this , before me personally appeared A. D., 19. 就好时时时 to me personally known to be the person described in and who:executed the foregoing instrument and acknowledged that he in witness whoreof, I have hereunto set my hand and official seal executed the same as on the day and year in this certificate first above written commission (expires **金牌 口**稱: 諸阳川 11月月 Notary Public

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THE STATE OF NEW MEXICO COUNTY OF day . On this⊥ before me personally appeared A. D., 19_ 間部 to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that __he __ executed the same as__ free act and deed. In witness whereof, linave hereunto set my hand and official seal on the day and year in this certificate first above written Gy commission expires: Notary Public

GAS AND MENRAL LEASE New County, I hereby certify that this instrument **EW-MEXICO** FROM 2 STATE OF NEW MEXICO In Book [idaawo] 0 borded on the Z COUNTY OF No. of Acres (110) (11) duly D., 18

Section

HE STATE OF NEW MEXICO OUNTY OF

On this D., 19 before me appeared to me personally known, who, being by me duly sworn, did say that he is the state corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by uthority of its board of dire 非國計畫 ъĤ tors and said

record

the

wiedged said instrument to be the free act and deed of said corporation. In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written. 出售

と開た y commission expir Notary Public USTRAL OIL EXPLORATION COMPANY 00 SAN JACINTO BUILDING HOUSTON 2, TEXAS

50861 "NEW. MEXICO A 1-758-4-51 (Form 330) OIL AS AND MINERAL LESSE HALL-POORBAUGH PRESS ROSWELL, NEW MEXICO 29th day of APRIL ., 19.....**58** between.. AGREEMENT made this.. WARREN M. SNYDER, ALSO KNOWN AS WARREN SNYDER AND AS W. M. SNYDER, DEALING WITH HIS SOLE AND SEPARATE PROPERTY, JOINED BY HIS WIFE, REBA SNYDER, of Lovington, N. Mexico (Post Office Address) herein called lessor (whether one or more), and AUSTRAL OIL EXPLORATION COMPANY INCORPORATED 1. Lessor, in consideration of <u>TEN AND NO/100</u> Dollars (S. 10.00 in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases an lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas, and all other mineral injecting gas, waters, other fluids, and air into subscript constrant, laying pipe lines, storing oil, utilding tanks, power stations, telephone lines, and other mineral things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in.... LEA. LOTS 3, 4 and 6 Township. 16 South Range of Section Five (5) 36 East يعمد بالأفتية مسيبه مرسره الدواني والمراجع المراجع 3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-quarter(1/4) of that 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; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the pre-mises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas sold or used, provided that on gas sold at the wells the royalty shall bel/4 of the amount realized from such sale; (c) on all other minerals mined and marketed, 1/4 either in kind or value at the well or mine, at lessee's election, except either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar(\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall include (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not con-tinued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety-day (90 day) period, lessee or any assignee hereunder may pay or tender and and vance annual royalty of One Dollar (\$1.00) per acre, and if such payment or tender is made, it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be so paid or tendered in the same manner as provided herein for a maximum period of three (3) years; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

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wells on the above land (and for the properties on sulphur the royale shall be Cone Dollar (S100) per long ton; and (d), if at any the properties so that can be done wells can able of any such methods. except that on sulpher the royalty shall be Oae Dollar (\$1:00), a purposes of this clause (d) the term 'gas well' shall include wells as gas wells by any governmental authority) such well'on yrells are vertheless continue in force for a period of ninety (90) divs, fro period, lessee or any assignce hereunder may pay or tender in eage then held under this lease by the party making such the term e considered that gas is being produced for), if at any hatural gas, con-lease is not con-or wells are shut alty equal to the payment or

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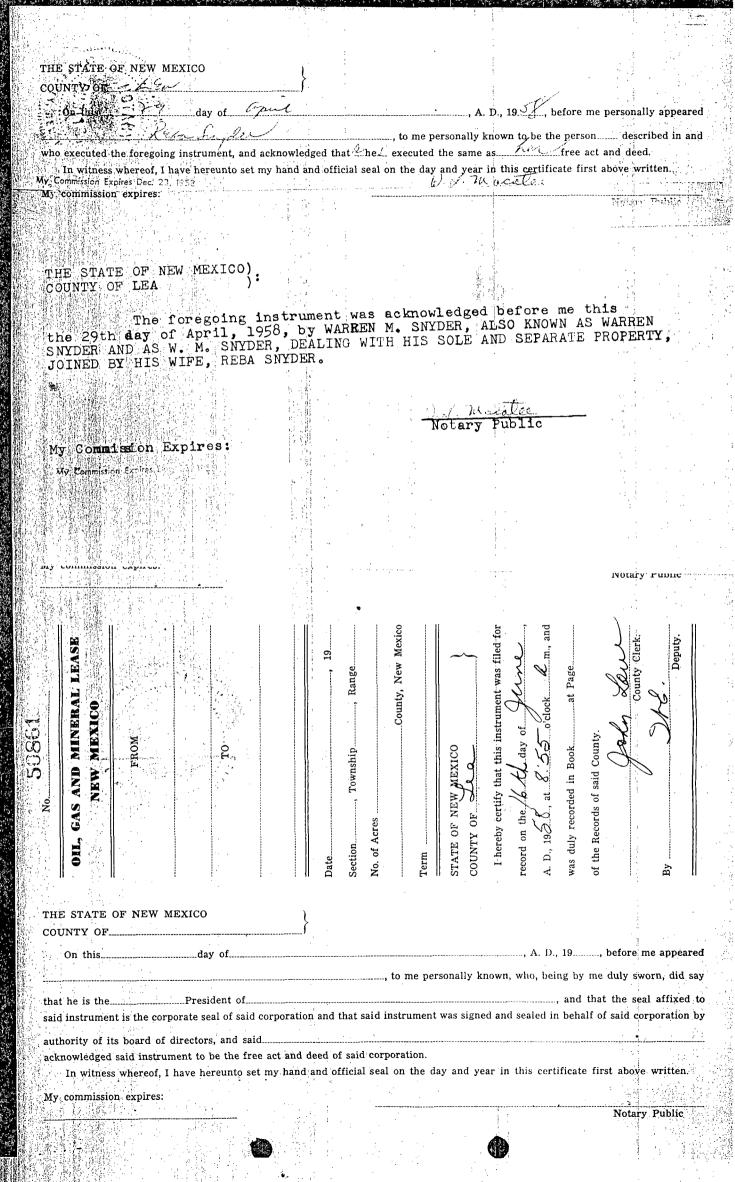
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48303 House and the form NEW MEXICO A (Form 330) OIL, GAS AND MINERAL LEASE THIS AGREEMENT made this 21st day of MARCH, 19.<u>58....</u>, between...... WARREN M. SNYDER, ALSO KNOWN AS WARREN SWYDER AND AS W. M. SWYDER, DEALING WITH HIS SOLE AND SEPARATE PROPERTY, JOINED BY HIS WIFE, REPA SITURE, Lovington, New Mexico, sor (whether one or more), and AUSTRAL OIL EXPLOPATION COMPANY INCORPORATED TEEN ARD NO/100 Dollars (s. 10.00) In hand paid, receipt of which is here acknowledged, and of the republics herein provided and of the agreements of the lesser herein contained, hereby grants, leases an lets exclusively unto lesser for the purpose of investigating, exploring, prospecting, drilling, ining and operating for and producing oil, gas, and all other minerals injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, tanks, now effective structures an things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefoon, and housing and otherwise ring for its employees, the following described land in. County, New Mexico, to-wit: LOT NO. TWO (2) Range <u>36 EAST</u> SIX shut-in Township 16 SOUTH of Section..... 3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, three-sixteenths. (3/16ths) of that 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; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as cruda; (b) on gas, including casingpremises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16ths of the gas so sold or used, provided that or gas sold at the wells the royalty shall be 3/loths of the amount realized from such sale; (c) on all other minerals mined and marketed, 3/loths either in kind or value at the well or mine, at lessee's election, except that of sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall in the above land (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such minety-day (90-day) period, lessee or any assignee hereunder may pay or tender an advance annual royalty of One Dollar (\$1.00) per acre, and if such payment or tender is made, it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advanck annual royalty payments may be made and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance (royalty may be so paid or tendered in the same manner as provided herein For a maximum period of three (3) years; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

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WITNESSES:

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5. Lesse is hereby granted the infinite pool or unitize this base, the land covered by it or any part thereof with any other land, lesse, lesses, minered estates or parts thereof for the production of oil, gas, or any other minereds. Units pooled for cell hereinder shall not exceed forty (10) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereinder shall not exceed six hundred routed in such allocation of oil, gas, or any other minereds. Units pooled for cell hereinder shall not exceed forty (10) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereinder shall not exceed six hundred forty (10) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereinder, shall not exceed six hundred forty (10) acres plus a tolerance of a such allocation or allowable on acreace per well, then any inclusion in a mits hall prescribe a agreent acreate bas presented or as may be used in such allocation or allowable. Lesses chall be written und objectations in the county in which the predict on the base instand allocation or allowable. Lesses chall be written und objectations in the county in which the predict on the base in the or antice as may not written and acrease shall be treated as. If such drafting one ratios and production as any part of the pooled on the base treated as. If such drafting or ratios and particles in the county in which the predict on the base is the base or not. The entire acrease pooled into a unit shall be treated for all predicts on production of a unit shall be treated for all particles and particles are predicted in the routed for all predicts on production as pooled into a unit shall be treated for all predicts on production of a unit shall be readed for cell predictor or an unity as pooled into a unit shall be treated for all predicts on production of a unity acres poiled in the unit or his revealed bears on production of a condy unity predict on the predict for therein product for all predicts on product

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i i i IN WITNESS WHEREOF, we sign the day

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The foregoing instruments, acknowledged value as day of ______, 1917, by aARBER 1. ... ER, ALSO LEVER ALSO LEVER SNYDER, DEALING WITH ALS SOLE AND SUPART - PROFERTY, COT ST. ... tis the MUSH AND AS W. M. BA SNYDER. Stand Store

My Commission Expires: 1 50

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BEADLE #1 (Minimum Production)

Tract 1: A 19.9837 acre tract out of SW/4 SW/4 more particularly described as beginning at the SW corner of the SW/4 of Section 35, T-15-S, R-35-E; thence North 933 feet; thence East 933' feet; thence South 933 feet; thence West 933 to point of beginning.

SW/4 SW/4 of Section 35, T-15-S, R-35-E Tract 2: Save and Except Tract 1 above containing 20.0163 acres more or less.

Tract 3: NW/4 SW/4 of Section 35, T-15-S, R-35-E Containing 40 acres more or less

*Ownership in above Tracts

	Ener	gen	Arringt	on
	Interest	Acres	Interest	Acres
Tract 2:	100.0000% 41.6667% 93.7500% Total	19.9837 8.3401 <u>37.5000</u> 65.8238	-0- 58.3333% 6.2500%	-0- 11.6762 <u>2.5000</u> 14.1762

Ownership in W/2 SW/4 Energen Resources Corporation 82.27975% David H. Arrington Oil & Gas, Inc. 17.72025%

Oil and Gas Leases

		Recor	aea	Minimum
Current Lessee	Date	<u>Volume</u>	Page	Production
Energen Resources Corporation	5/21/96	739	692	(1)
Energen Resources Corporation	10/8/96 (Amended	764 947	197 341)	(1)
Energen Resources Corporation	10/8/96	773	118	· (1)
Energen Resources Corporation	10/9/96	773	120	(1)
David II. Arrington Oil & Gas, Minc.	5/15/98	885	613	· · · · (1)
David H. Arrington Oil & Gas, Inc.	5/29/98	803	84	(1)
David H. Arrington Oil & Gas, The.	5/15/98	885	619	(1)
David H. Arrington Oil & Gas,	5/15/98	°89Ò	278	(1)
Energen Resources Corporation	3/12/99	945	547	(2)
David H. Arrington Oil & Gas, Inc.	5/15/98	885	604	(1)
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Lessor	Current Lessee	Date	<u>Recor</u> Volume	ded Page	Minimum <u>Production</u>
11. Joe Boyd	Energen Resources Corporation	11/1/96	774	515	(1)
12. Dorothy Teague	Energen Resources Corporation	10/30/96	7 74	511	(1)
13. Norma Boyd	Energen Resources Corporation	10/30/96	774	513	(1)
14. Gwendoly Dirickson	Energen Resources Corporation	3/12/99	943	651	(2)
15. Barbara Blackledge	Energen Resources Corporation	3/12/99	943	649	(2)
16. Jerry D. Boyd	Energen Resources Corporation	10/30/96	774	523	(1)
17. Thomas W. Boyd	Energen Resources Corporation	11/1/96	774	517	(1)
18. Charles W. Boyd	Energen Resources Corporation	10/11/96	774	519	(1)
19. Opal N. Stout	Energen Resources Corporation	10/30/96	774	521	(1)
20. C. E. Boyd, Jr.	Energen Resources Corporation	3/12/99	947	346	(2)
21. Rose Mary Nicks	Energen Resources Corporation	3/12/99	947	348	(2)
22. Patricia Estlack Sammons	David H. Arrington Oil & Gas Inc.	5/15/98	887	265	(1)
23. Barbara Estlack Brock	David H. Arrington Oil & Gas Inc.	5/15/98	890	282	(1)
24. Dana Estlack Shay	David H. Arrington Oil & Gas Inc.	5/15/98	890	280	(1)
25. Irá Jean Estlack Chunn	David H. Arrington Oil & Gas Inc.	5/15/98	885	608	(1)
26. Philip Glenn Adams and Donna J. Adams, husband and wife	David H. Arrington Oil & Gas Inc.	5/15/98	882	339	(1)
27. Thelma Eva Gorney	Energen Resources Corporation	10/10/96	764	201	(1)
28. Barbara Gayle Young	Energen Resources Corporation	11/15/96	774	503	(1)
29. Gary Nelson Joiner	Energen Resources Corporation	10/10/96	774	501	(1)
30. Jay Neil Joiner	David H. Arrington Oil & Gas, Inc.	7/24/98	901	141	(1)
 Chester H. Beadle and Margaret Beadle, husband and wife 	Energen Resources Corporation	10/8/96	764	199	(1)
32. Carolyn Sue Harris	Energen Resources Corporation	3/12/99	951	109	(2)
33. Audry Jane Shepard	Energen Resources Corporation	3/12/99	950	361	(2)

Leases 1-25 and 32-33 cover the NW/4 SW/4 of Section 35, containing 40 acres, more or less;

Leases 26-30 cover the SW/4 SW/4 of Section 35, save and except 19.9837 acres in the SWC thereof, containing 20.0163 acres, more or less; and

Lease 1 and 31 cover the 19.9837 acre tract in the SWC of the SW/4 SW/4 of Section 35.

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PRODUCERS 88-TEXAS (PAID-UP)

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PAID-UP OIL AND GAS LEASE

THIS LEASE AGREEMENT IS made as of the 12th day of March, 1999 , between Audry Jane Shepard, dealing in
her own sole and separate property
of 4009 Bluff Drive, Belvidere; IL 61008
as Lessor (whether one or more) and Energen Resources Corporation
of 3300 N. "A" Street, Bldg. 4, Suite 100, Midland, TX 79705

as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants exclusively to Lessee the following described land:

NW/4 SW/4 of Section 35, T-15-S, R-35-E, N.M.P.M.,

40.00 acres, more or less (including any interests therein which Lessor in the County of Lea _, State of <u>New Mexico</u>, containing_ may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

2 Term of Lease. This lease, which is a "paid up" lease requiring no rentals, shall be in force for a primary term of three (3) _ years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith, or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3 Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be three-sixteenths (3/16) of such production, to be delivered at Lessee's option to Lesson at the wellhead or to Lesson's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same or nearest field for production of similar grade and gravity; (b) For gas (including casinghead gas) and all other substances covered hereby, the royalty shall be three-sixteenths (3/16) of the proceeds realized by Lessee from the sale thereof, less a proportionale part of the costs incurred by Lessee in delivering, processing or otherwise making such gas or other substances merchantable, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same or nearest field pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If a well on the leased premises or lands pooled therewith Is capable of producing gas (including casinghead gas) but such well is either shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor, and if this lease is not otherwise maintained in effect, such well shall nevertheless be considered as though it were producing gas in paying quantities for the purpose of maintaining this lease, whether during or after the primary term, if Lessee pays shut-in royalty of One Dollar per acre then covered by this lease, such payment to be made to Lessor on or before the next ensuing anniversary date of this lease, or within 90 days after such anniversary date, and thereafter on or before each anniversary date hereof while the well is shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor. For the purpose of calculating shut-in royalties, the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

4. Operations. If at the end of the primary term or at any time thereafter this lease is not otherwise being maintained in force, it shall nevertheless remain in force as long as Lessee engages in drilling, reworking or any other operations reasonably calculated to obtain or restore production on the leased premises or lands pooled therewith without an interruption of more than 90 consecutive days, and, if such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities.

5. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to oil or gas or both, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, and well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, except that larger units may be formed for oil wells or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production produced and saved which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof. Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. The restrictions and requirements of this Paragraph 5 shall not apply to compulsory pooling of interests effected by operation of law or by order of any governmental authority having jurisdiction, but all other references to pooling contained in this lease shall include such compulsory pooling as well as pooling effected under this Paragraph 5.

6. Lesser Interest. If Lessor owns less than the entire and undivided mineral estate in the above-described land or any portion thereof, the royalties and shut-in royalties herein provided shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in said land or portion thereof.

7. Ownership Changes. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 45 days after Lessee has been furnished certified copies of the documents effecting such change, or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order, which Lessor hereby agrees to execute prior to the payment of royalties hereunder. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder. Lessee may pay such shut-in royalties to such persons jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest bereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to the interest not so transferred. ÷.,

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8. Release of Lease. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder, and for such purpose the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

⁹9. Ancillary Rights. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or funitized therewith, in primary and/or enhanced recovery. Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises and adjacent land owned by Lessor as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. The right of ingress and egress granted hereby shall apply to the entire leased premises notwithstanding any release or other termination affecting any portion thereof. When requested by Lessor in writing, Lessee shall bury its pipelines below deep plow depth. Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises, and to timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease or within a reasonable time thereafter.

10. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, war, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof.

11. Breach or Default. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default but Lessee fails to do so.

12. Warranty of Title. Lessor hereby warrants and agrees to defend Lessee's title hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If it exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder until Lessee has been furnished satisfactory evidence that such claim has been resolved in Lessor's favor.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, and upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove names as Lessor.

Original Ann Harlan LESSOR (Whether one or more): Copy in Midland file Ls/Assig.# Date _430 456-14-8200 Supar Shepard Audry Jane ACKNOWLEDGMENT STATE OF Х COUNTY OF Y This instrument was acknowledged before me on this 10th day of 1999 Audry Jane Shepard. 'OFFICIAL SEAL" Leigh C. Addotta NOTARY PUBLIC, STATE OF ILLINOIS MY COMMISSION EXPIRES 12-05-01 STATE OF NEW MEXICO COUNTY OF LEA FILED APR 15 199 BE 10:3 and recorded in Book Pase Pat Chappelle, Lea County Clork Bγ 2 - Deputy

BOOK 950 PAGE 362





(1) Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas here under by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

(2) **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking production or other operations are prevented or delayed by such laws, rules regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

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Page 3 of 3

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Producer's 88-Producer's Revised 1994 New Mexico For	Paid-up Pi	rinted and for sale by Hall	-Poorbaugh Press, Roswell, N.M.
	OIL & GAS LEASE		
THIS AGREEMENT made this 8th day of Octobe	er19_6_b	netween	
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Carlsbad, NM 88220			
			Atter Office Billion te 1200
herein called lessor (whether one or more) and Enserch Ex	paid, receipt of which is here acknowledged.	and of the royalties herein prov	ded and of the agreements of the lessee
herein contained, hereby grants, leases and lets exclusively unto lessee to waters, other fluids, and air into subsurface strata laying pipelines, storing treat, process, store and transport said minerals, the following described A tract of land in the South of section 35, Township 15 particularly described as for the southwest-quarter(SW4) East 933 feet, THENCE South of beginning, and containing	oil building lanks, roadways, tolephone line land in <u>Lea</u> hwest-quarter of t South, Range 35 Ea ollows: Beginning of said section, T 933 feet, and THE	the Southwest st, N.M.P.M. at the sout HENCE North ENCE West 933	<pre>is thereon to produce, save, take care of,</pre>
Said land is astimated to comorise 19.9837 acr			
Said land is estimated to comprise	es, whether it actually comprises more or less. remain in force for a term of <u></u>	1	ears from this date (called "primary term")
3 The royallies to be gaid by lessee are: (a) on oil, and other liquid	hydrocarbons saved at the wett. 3	3/16	of that produced and saved from
said land, same to be delivered at the wells or to the credit of lessor in the		2	head gas or other gaseous substance $\frac{16}{16}$ of the gas used,
provided that on gas sold on or off the premises, the royallies shall be _ of the amount realized from such sale; (c) and at any time when this le	3/16		depeate well on said land, or land pooled
at annual intervals, lessee may pay or tendor an advance shut-in royalty e and so long as said shut-in royalty is paid or tendered, this lease shall n paying quantities. Each such payment shall be paid or tendered to the p lease if the well were in fact producing. The payment or tender of royalti a bona fide attempt to make proper payment, but which is erroneous in v manner as though a proper payment, but which is erroneous in v entitled to receive payment together with such written instruments (or ce gas on or off the premises shall be the price established by the gas sales in the industry. "Price's shall mean the net amount' received by lessee aft contract or regulatory orders. In the event lessee compresses, treats, pt in computing royality hereunder may deduct from such price a reasonable 4. This is a paid-up lease and lessee shall not be obligated during	ot terminate and it shall be considered under arty or parties who at the time of such paymen as and shut-in royalties may be made by checi whole or in part as to parties or amounts, shall rect such error within 30 days after lessee ha ritified copies thereof) as are necessary to ena contract entered into in good faith by lessee ar er giving effect to applicable regulatory orders urifies, or dehydrates such gas (whether on or e charge for each of such functions performer g the primary term hereof to commence or oc	all clauses hereof that gas is be nt would be entilled to receive it is or draft. Any timely payment of nevertheless be sufficient to pr is received written notice thereo able lessee to make proper paym nd gas purchaser for such term a s and after application of any app r off the leased premises) or tran d.	Ing produced from the leased premises in e royalties which would be paid under this r tender of shut-in royalty which is made in event termination of this lease in the same I by certified mail from the party or parties sent. The amount realized from the sale of nd under such conditions as are customary licable price adjustments specified in such sports gas off the leased premises, lessee oever character or to make any payments
hereunder in order to maintain this lease in force during the primary term to the provisions or Paragraph 3 hereof.			
5. Lesse is hereby granted the right and power, from time to time, estates or parts thereof for the production of oil or gas. Units pooled he Minerals Department of the State of New Mexico or by any other lawful designations in the county in which the premises are located and such production from any part of any such unit shall be considered for all pur. There shall be allocated to the land covered by this lease included in an or unit operations, which the net oll or gas acreage in the land covered the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as though produced from said land under the terms appropriate instrument in the County where the land is situated at any time the same manner as the same manner as though produced from said land under the terms appropriate instrument in the county where the land is situated at any time and the same manner as the same manner asame manner as the same manner as the same manner a	arounder shall not exceed the standard prorat authority for the pool or area in which said lan units may be designated from time to time a poses, except the payment of royally, as oper y such unit that portion of the total production by this lease included in the unit bears to the t lty, to be the entire production of pooled miner of this lease. Any pooled unit designated by	tion unit fixed by law or by the C tot is situated, plus a tolerance o und either before or after the co- rations conducted upon or produ- of pooled minerals from wells in total number of surface acres in rats from the portion of said land y lessee, as provided herein, m	il Conservation Division of the Energy and fren parcent. Lessee shall file written unit mpletion of wells. Drilling operations on or ction from the land described in this lease. the unit, alter deducting any used in lease the unit. The production so allocated shall covered hereby and included in said unit in ay be dissolved by lessee by recording an
6. If at the expiration of the primary term there is no well upon said ta remain in force so long as operations are prosecuted with no cessation o and if they result in the production of oil or gas, so long thereafter as o incapable of producing for any cause, this lease shall not terminate if I drilling, or reworking operations hereunder result in production, then this	f more than 60 consecutive days, whether such it or gas is produced from said land. If, after essee commences operations for additional d	h operations be on the same wel the expiration of the primary ter drilling or for reworking within 60	l or on a different or additional well or wells, m, all wells upon said land should become) days thereafter. If any drilling, additional
7. Lessee shall have free use of oil, gas and water from said land, e any so used: Lessee shall have the right at any time during or after the remove all casing. When required by lessor, lessee will bury all pipe I residence or barn now on said land without lessor's consent. Lessor sha principal dwelling thereon, out of any surplus gas not needed for operat	expiration of this lease to remove all property ines on cultivated lands below ordinary plow all have the privilege, at his risk and expense, o	y and fixtures placed by lessee of depth, and no well shall be dril	n said land, including the right to draw and ed within two hundred feet (200 ft.) of any
8. The rights of either party hereunder may be assigned in whole of change in the ownership of the land or in the ownership of, or rights to r of lessee; and no such change or division shall be binding upon lessee acceptable instruments or certified copies thereol constituting the chain option, pay or tender any royalties or shut-in royalties in the name of the evidence satisfactory to lessee as to the persons entitled to such sums, obligations hereunder and, if lessee or assignee of part or parts hereor assignee or fail to comply with any of the provisions of this lease, such properly comply or make such payments.	eceive, royalties or shut-in royalties, however for any purpose until 30 days after lessee has of tille from the original lessor. If any such ch he deceased or to his estate or to his heirs, e An assignment of this lease in whole or in part of shall fall or make default in the payment of	accomplished shall operate to e been furnished by certified mall range in ownership occurs throug executor or administrator until su (shall, to the extent of such assis the proportionate part of royalty	nlarge the obligations or diminish the rights at lessee's principal place of business with gh the death of the owner, lessee may, at its ich time as lessee has been furnished with griment, relieve and discharge lessee of any or shut-in royalty due from such lessee or
9. Should lessee be prevented from complying with any express or hereunder by reason of scarcity or inability to obtain or use equipment o authority, then while so prevented, lessee's duty shall be suspended, ar prevented by any such cause from conducting drilling or reworking opt lessee, anything in this lease to the contrary notwithstanding.	r material, or by operation of force majeure, or Id lessee shall not be liable for failure to comp	r by any Federal or state law or a bly therewith; and this lease shall	ny order, rule of regulation of governmental be extended while and so long as lessee is
10. Lessor hereby warrants and agrees to defend the title to said lar does so it shall be subrogated to such lien with the right to enforce sam rights under the warranty. If this lease covers a less interest in the oil specified or not) then the royalties, shut-in royalty, and other payments, which the interest therein, if any, covered by this lease, bears to the who this lease, it shall nevertheless be binding upon the party or parties exer-	he and to apply royalties and shut-in royalties or gas in all or any part of said land than the if any, accruing from any part as to which this ole and undivided fee simple estate therein. S	payable hereunder loward satis e entire and undivided lee simpl s lease covers less than such full	lying same. Wilhout impairment of lessee's a astate (whether lessor's interest is herein interest, shall be paid only in the proportion
11. Lossee, its or his successors, heirs and assigns, shall have the mailing a release thereof to the lessor, or by placing a release thereof o implied, of this agreement as to acreage so surrendered, and thereafte said release or releases.	at consider the accust in which cold land is all	tuntadi therounde loocon abuilth	a ratio and from all abligations, averaged or
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Producer's 88-Producer's Revised 1994 New Maxico Form 342P, Paid-up

Printed and for sale by Hall-Poorbaugh Press, Roswell, N.M.

OIL & GAS LEASE

THIS AGREEMENT made this 24th day of July

Jay Neil Joiner, dealing in his sole and separate property of 5908 Cary Drive,

Austin, Texas 78757

Said land is estimated to comprise _

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David H. Arrington Oil & Gas, Inc. (Post Office Address)

erein called lessor (whether one or more) and / of P. O. Box 2071, Midland, Texas 79702 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strate laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of Lea treat, process, store and transport said minerals, the following described land in _ _ County, New Mexico, to-wit

> Southwest-quarter of the Southwest-quarter (SW/4SW/4), of Section 35, Township 15 South, Range 35 East, N.M.P.M., LESS AND EXCEPT a tract of land described as follows: Beginning at the Southwest corner of the SW/4 SW/4 of Section 35, Thence North 933 feet, Thence East 933 feet, Thence South 933 feet, Thence West 933 feet to the point of the beginning.

20.0163 acres, whether it actually comprises more or less

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

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, <u>3/16ths</u> of that 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 and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of ______3/16ths of the cas used.

produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of <u>3/16ths</u> of the gas used, provided that on gas sold on or off the premises, the royalties shall be <u>3/16ths</u> of the amount realized from such sale; (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 said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production thereform, then on or before 90 days after said well is shut in, and thereatter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties are of lessor's gas acreage then held under this gas be being produced from the leased premises in paying quantities. Each such payment shall be payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalties which would be paid under this lease in the same manner as though a proper payment had been made if lesses shall correct such error within 30 days after lesses to make proper payment. The amount realized from the sale or gas on of of the premises shall be the price established by the gas sales contract entered into in good failt by lesse and gas purchaser for such term and under such conditions as are ecustomary in the heatiery. "Price" shall mean the net amount received by lesses after such gas and suchase

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 whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lesse, the land covered by it or any part or horizon thereof with any other land, lesses, mineral sestates or parts thereof for the production of oil or pas. Units pooled hereunder shall not exceed the standard proration 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 area in which sail land is situated, plus a tolerance of ten percent. Lessee shall file written unat designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royatty, as operations conducted upon or production from the lead exceed in this lesse. There shall be allocated to the land covered by this lesse included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lesse or unit operations, which the net oil or gas acreage in the land covered by this lesse included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of roysity, to be the entire production of pooled minerals from the portion of surface acres hereby and included in said unit in the same manner as though produced from said land under the terms of this lesse. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

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 commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations 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, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional diffing or for veworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royatty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all propeny and lixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's constant. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royatiles or shut-in royatiles, however accompilshed shall operate to enlarge the obligations or diminist the rights of elsese: and no such change or division shall be binding upon lesses for any purpose until 30 days after lesses has been furnished by certified mail at lesses's principal place of business with acceptable instruments or certified copies thereof constituting the chain of tile from the original lessor. If any such change is however, account is addition until such time as lesses has been furnished by certified mail at lesses's principal place of business with acceptable instruments or certified copies thereof constituting the chain of tile from the original lessor. If any such change is however, accessed or to his heirs, executor or administrator until such time as lesses has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall fail or affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall property comply or make such payments.

9. Should lease be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governme authority, then while so prevented, lease's duty shall be suspended, and lease shall not be liable for latiure to comply therewith; and this lease shall be extended while and so long as lesse prevented to cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lease is a prevented shall not be counted aga lease, anything in this lease to the contrary notwithstanding. er, or from producing oil or gas

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lesses at is option may discharge any tax, mortgage or other lien upon said land, and in the event lesses does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lesses rights under the warranty, if this lesse covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the interest therein. If any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lesse, it shall nevertheless be binding upon the party or parties axecuting the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or malling a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and therestier the shut-in royally payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release.

Executed the day and year first above written.

11. 4 Jay Neil Joiner, dealing in his sole and separate property SS# _ 450-70-450

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