

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 25th day of May, 1959
by and between Burrel H. Crawford and Dyvena Crawford, husband and wife

Party of the first part, hereinafter called lessor (whether one or more)
and Redfern Oil Company part 2 of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN AND NO/100 ----- (CVO)----- Dollars, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained, the said lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessor, for the sole and only purpose of mining and operating for oil and gas and laying pipe lines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land situate in the County of San Juan State of New Mexico, described as follows, to-wit: Southeast quarter of the Northwest quarter (SE $\frac{1}{4}$ N $\frac{1}{4}$); South one-half of the Southwest quarter (S $\frac{1}{2}$ SW $\frac{1}{4}$) of Section Twenty Five (25); The Southeast quarter of the Southeast quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section Twenty Six (26) ALL IN Township Twenty Nine (29) North, Range Twelve (12) West, NMPM.

In addition to the royalties payable by Lessee under paragraph 3, 4, 5, there is hereby reserved to lessor, as an overriding royalty, 4% of the market value at the well of 100% of the oil and gas produced and saved from the land then subject to this lease and sold or used off the premises. The fraction provided herein shall be subject to reduction in accordance with the lesser interest provisions of paragraph 17.

of Section 160, Township 29, Range 12, and containing 160 acres, more or less.

It is agreed that this lease shall remain in force for a term of Five (5) years from date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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

- 1st. To deliver to the credit of lessor, free of cost, in the pipe line to which he may connect his wells, the equal one-eighth ($\frac{1}{8}$) part of all oil produced and saved from the leased premises.
- 2nd. To pay lessor for gas from each well where gas only is found, the equal one-eighth ($\frac{1}{8}$) of the gross proceeds at the prevailing market rate, for all gas used off the premises, said payment to be made Monthly and lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling house on said land during the same time by making his own connections with the well at his own risk and expense.
- 3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth ($\frac{1}{8}$) of the proceeds, at the mouth of the well, at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made Monthly.

If no well be commenced on said land on or before the 25th day of May, 1960, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the First National Bank at Farmington, New Mexico or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of ONE HUNDRED SIXTY AND NO/100 ----- (\$160.00) ----- DOLLARS.

which shall operate as rental and cover the privilege of deferring the commencement of a well for Twelve (12) months from said date. The payment herein referred to may be made in currency, draft, or lessee's check at the option of the lessee, and tender thereof may be made either to lessor in person or by mailing the same to lessor at his last known address, or to said depository bank on or before the date on which said rental is due hereunder. In like manner and upon like payments or tenders the commencement of a well may be further deferred for periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable, as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be a dry hole, then and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as heretofore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to the lessor only in proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said lands.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years herein first mentioned.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lease has been furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rentals due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of the lands on which the said lessee or any assignee thereof shall make due payment of said rentals. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

If the leased premises are now or shall hereafter be, owned in severalty or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among, and paid to, such separate owners in proportion that the acreage owned by each such separate owner bears to the entire leased acreage. Provided, however, if the leased premises consist of two or more non-adjutting tracts, this paragraph shall apply separately to each such non-adjutting tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one lease, this paragraph shall be inoperative as to such portion so consolidated.

Lessee is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful authority, or when to do so would, in the judgment of lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding 320 acres. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalty elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Provided, lessee shall be under no obligation whatsoever, express or implied, to drill more than one well to each unitized tract, regardless of when, where or by whom offset wells may be drilled.

The undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purpose for which this lease is made as recited herein.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those claiming, notwithstanding some of the lessees above named may not join in the execution hereof.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to remove the same from the lands, and be subrogated to the rights of the holder thereof.

It is expressly agreed and understood that the first well drilled on acreage covered herein or with acreage pooled therewith, shall be drilled into the Lakota Sand Formation.

It is further agreed that Lessee shall not enter or drill upon any acreage that at the time of agreement is being cultivated as an apple orchard and producing same, without the written consent of the Lessor.

IN TESTIMONY WHEREOF, we sign this the 25 day of May, 1959

Burrel H. Crawford (SEAL)
Dyvena Crawford (SEAL)
(SEAL)
(SEAL)

