

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9331
Order No. R-8644

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR A NON-STANDARD GAS
PRORATION UNIT AND UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 16 and April 13, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of April, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Phillips Petroleum Company (Phillips), seeks approval for an unorthodox gas well location for its proposed State "22" Well No. 1 to be located 660 feet from the North and West lines (Unit D) of Section 22, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, to test the South Shoe Bar-Atoka Gas Pool and the Morrow formation, said well to be dedicated either to a 160-acre non-standard gas proration and spacing unit consisting of the N/2 SW/4 and W/2 NW/4 of said Section 22, or in the alternative, to an 80-acre non-standard gas proration and spacing unit consisting of the W/2 NW/4 of said Section 22.

(3) The applicant is the leasehold owner of the W/2 NW/4 of said Section 22, and at the time of the hearing, the applicant testified that Phillips had reached a verbal agreement with Amerada Hess to obtain by farmout its acreage consisting of the N/2 SW/4 of said Section 22 contingent upon approval of the subject application by the Division.

(4) At the time of the hearing, the applicant requested that the portion of the case requesting approval of an 80-acre non-standard spacing and proration unit to be dedicated to subject well be dismissed.

(5) Arco Oil & Gas Company (Arco), the leasehold owner of the S/2 SW/4 of said Section 22, appeared at the hearing in opposition to the application.

(6) The evidence in this case indicates that by Administrative Order No. NSP-1470, the Division approved a 240-acre non-standard gas spacing and proration unit consisting of the NE/4 and the E/2 NW/4 of said Section 22, said acreage dedicated to the T. H. McElvain Oil and Gas Properties New Mexico "AC" State Well No. 1 located at an unorthodox gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 22, which was completed in the South Shoe Bar-Atoka Gas Pool in January, 1986.

(7) The evidence further indicates that Sun Exploration and Production Company currently operates the South Shoe Bar State Com Well No. 1 located 660 feet from the South line and 2030 feet from the West line of Section 15, Township 17 South, Range 35 East, NMPM, which was completed in the South Shoe Bar-Atoka Gas Pool in December, 1987.

(8) Phillips presented as evidence initial bottomhole pressure data from the two aforementioned wells which indicates that, prior to its completion, the South Shoe Bar State Com Well No. 1 likely experienced drainage from the New Mexico "AC" State Well No. 1 which is located a distance of approximately 3698 feet away.

(9) At the time of the hearing it was determined that Arco has proposed and is willing to contribute its acreage in the SW/4 SW/4 of said Section 22 to the proposed non-standard proration unit.

(10) Arco further proposed that its acreage in the SE/4 SW/4 of said Section 22 could be included in a possible non-standard proration unit consisting of the SE/4 SW/4 and the SE/4 of said Section 22, which could be dedicated to a well drilled in the S/2 of Section 22.

(11) At the time of the hearing, Arco requested that the Division impose a production penalty factor on the subject well, said penalty factor to equal the proportion that the non-standard proration unit bears to a standard proration unit within the pool (160/320) or 0.50.

(12) The evidence supports the applicability of the general rules in that a well in this reservoir will drain at least 320 acres.

(13) Applicant's request will result in waste from the drilling of unnecessary wells.

(14) Applicant failed to address how correlative rights will be protected in an unprorated gas pool with the proposed unorthodox location and non-standard proration unit.

(15) In the absence of evidence on the record demonstrating the need for an exception, the Division should administer a program of uniform well density and well spacing in performing its statutory duty of protecting correlative rights.

(16) The application should be denied.

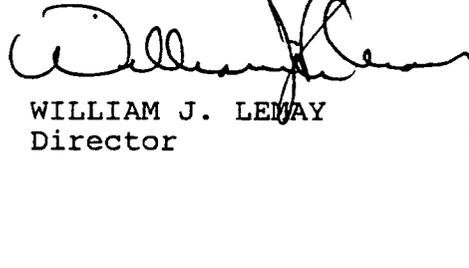
IT IS THEREFORE ORDERED THAT:

(1) The granting of this application would tend to cause waste and would impair correlative rights and is therefore denied.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEYAY
Director

S E A L

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE 9430
Order No. R-8734

APPLICATION OF MOBIL EXPLORATION AND
PRODUCING U.S. INC. FOR COMPULSORY
POOLING OR IN THE ALTERNATIVE FOR
APPROVAL OF A NON-STANDARD GAS PRORATION
UNIT IN THE SOUTH SHOE BAR-ATOKA GAS
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on July 14, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 19th day of September, 1988, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) At the time of hearing Cases 9331, 9429 and 9430, involving the same land and subject matter, were consolidated for purposes of hearing.

(3) Applicant Phillips Petroleum Company (Phillips), in Case 9331 sought, and was denied by Order R-8644, approval of non-standard location 660 feet from the North and West lines of Section 22, Township 17 South, Range 35 East for a well to be drilled to the South Shoe Bar-Atoka Gas Pool and to assign to said well a non-standard proration unit of either 80 acres or 160 acres. Said case was presented at this hearing, de novo.

(4) Applicant Phillips in Case 9429 seeks to force-pool either the N/2 or W/2 of Section 22 to form a standard 320-acre gas spacing and proration unit and to reform administrative order NSP-1470-(L) covering the NE/4 and E/2 NW/4, which is

dedicated to an existing well, the T. H. McElvain New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East line (Unit H) of said Section 22; whereby Phillips would either participate in McElvain's well if the N/2 is force-pooled or would drill a second well in the section if the W/2 is force-pooled.

(5) Applicant Mobil Producing Texas and New Mexico Inc. (Mobil), in Case 9430, seeks the force-pooling of the E/2 of Section 22, or alternatively to force pool the S/2 of said section, so as to allow their lease in the SE/4 of said section to participate in a standard gas spacing unit, or to approve a non-standard gas spacing and proration unit comprised of SE/4 and S/2 SW/4 of said section.

(6) T. H. McElvain protests any action of the Commission which would change the size of his present proration unit, penalize his production or force pool interests into his producing well.

(7) All parties agreed that wells completed in the Atoka Sand Reservoir would drain in excess of 320 acres.

(8) Sun Exploration and Production (Sun), owner and operator of the Shoe Bar State Well No. 1 located at a standard location in the SE/4 SW/4 (Unit N) of Section 15, Township 17 South, Range 35 East protests the excess drainage that would occur on their acreage in Section 15 from two additional wells drilled and completed from the Atoka Sand Reservoir in Section 22 caused by the Commission approving unorthodox spacing units without penalizing production rates.

(9) Testimony introduced by all of the parties confirmed the attempts to reach voluntary agreements which have failed.

(10) Unprorated gas pools have rules which establish standard proration unit size and shape with minimum distances a well may be drilled from the boundary of the unit assigned to it. Such rules prevent waste from drilling unnecessary wells and protect correlative rights by limiting encroachment and equalizing the amount of dedicated acreage to a proration unit.

(11) The McElvain well was a re-entry of the Humble State "AC" No. 1 which was located on a standard unit for oil production but a non-standard location for Atoka gas. Approval of a 240-acre non-standard unit was granted by Administrative Order NSP-1470(L) after notice was given to both Phillips and Mobil, as offset operators, and neither party objected.

(12) Since McElvain secured approval of his unit and the well location as required by the rules, and has drilled and completed his well, the Commission is reluctant to redistribute equity in that producing gas proration unit; however, the Commission must address the well density issue in Section 22 by applying appropriate penalties to non-standard units and locations in order to protect the correlative rights of all parties.

(13) No party has requested proration be instituted in these pools.

(14) Phillips' reservoir engineer requested a 160-acre non-standard unit with a 50% penalty factor (160/320) assessed against ratable take determinations by the gas purchaser. This is not possible in today's gas marketing environment where there may be purchasers outside the jurisdiction of the Oil Conservation Division and there may not be a common purchaser to implement ratable take penalties.

(15) Under cross examination of the Phillips' reservoir engineer, it was suggested that penalty be assessed against deliverability. Since operators in non-prorated gas pools have the opportunity to sell maximum deliverability from their gas wells, a penalty assessed against deliverability will protect the correlative rights of all gas producers in the pool.

(16) There was no direct correlation between deliverability and data presented at the hearing. In the absence of such, deliverability must be defined as the maximum recorded flow rate.

(17) During 1986 and 1987 maximum flow rates for the wells on which data was presented at the hearing were approximately 6000 Mcf/day and this is hereby found to be the maximum flow rate for wells subject to being penalized by this order.

(18) Data presented at the hearing did not address declining deliverability but 10% per year decline is considered reasonable and represents average performance in this type of reservoir.

(19) The McElvain well location was not objected to and should not be penalized, however; the spacing unit is non-standard and should be allowed 240/320 or 75% of the maximum flow rate described in Finding No. (18) hereinabove.

(20) Mobil, if unable to negotiate for a standard unit should be permitted a non-standard unit comprised of the SE/4

and S/2 SW/4 and, if the well is located not less than 660 feet to the outer boundary of the unit should be limited to 75% (240/320) of the maximum flow rate as described in Finding No. (18) hereinabove. Further encroachment toward the outer boundary will be cause for an additional penalty which would be the subject of a new hearing.

IT IS THEREFORE ORDERED THAT:

(1) T. H. McElvain's New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East lines of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico is hereby restricted in its daily producing rate to 4,500,000 cubic feet of gas from the South Shoe Bar-Atoka Gas Pool.

(2) Mobil's application for a non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool consisting of the SE/4 and S/2 SW/4 of said Section 22 is hereby approved.

PROVIDED, HOWEVER, that said well shall be restricted in its daily producing rate to 4,500,000 cubic feet of gas on condition the well is located no nearer than 660 feet to the outer boundary of the unit. If encroachment toward the outer boundary of the unit is greater, the Commission will impose an additional penalty after notice and hearing.

IT IS FURTHER ORDERED THAT:

(3) In regard to the restrictions imposed in decretory Paragraphs (1) and (2) above, production during any month at a rate less than the limitation described shall not be carried forward as underproduction into succeeding months, but overproduction of such limitation during any month shall be made up in the next succeeding month or months by shut-in or reduced rate as required by the District Supervisor of the Division.

(4) Beginning January 1, 1990, the maximum flow rate for wells subject to being penalized by this order shall be reduced 10% annually on January 1 of each successive year.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-5-
Case 9430
Order No. R-8734

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and
Secretary

S E A L

dr/



TONY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 4, 1985



1935 - 1985

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

T. H. McElvain Oil & Gas
Properties
P. O. Box 2148
Santa Fe, New Mexico 87504-2148

Attention: George B. Broome

Administrative Order NSP-1470(L)

Gentlemen:

Reference is made to your application for a 240-acre non-standard proration unit consisting of the following acreage in the Atoka Formation:

LEA COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 22: NE/4, E/2 NW/4

It is my understanding that this unit is to be dedicated to your New Mexico State "AC" No. 1 well located 1980 feet from the North line and 660 feet from the East line of said Section 22 hereby approved under the provisions of Rule 104 F(I).

By authority granted me under the provisions of Rule 104 D(II), the above non-standard proration unit is hereby approved.

Sincerely,

R. L. STAMETS, DIRECTOR

RLS/DC/dr

cc: Oil Conservation Division - Hobbs
Oil & Gas Division - State Land Office - Santa Fe

OIL AND GAS LEASE

THIS AGREEMENT, dated this the 11th day of July, 1932, made and entered into by and between the STATE OF NEW MEXICO, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and Amerada Petroleum Corporation,
Box 1348, Fort Worth, Texas,

party of the second part, hereinafter called the "Lessee", whether one or more,
WITNESSETH:
WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the Commissioner of Public Lands:

THEREFORE, for and in consideration of the premises as well as the sum of Two Thousand, Three Hundred Eleven and 13/100ths----- (2,311.13-----) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. 94555,

and of the further sum of \$ 5.00----- filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, creating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the

following described land situate in the County of Y Lea, State of New Mexico, and more particularly described as follows:

Line	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
1	Lieu	20	16S	36E		NW $\frac{1}{2}$ SE $\frac{1}{2}$	SW $\frac{1}{2}$ SE $\frac{1}{2}$		80.0
2	"	26	"	"	NE $\frac{1}{2}$ NW $\frac{1}{2}$	NW $\frac{1}{2}$ NW $\frac{1}{2}$	SW $\frac{1}{2}$ NW $\frac{1}{2}$	SE $\frac{1}{2}$ NW $\frac{1}{2}$	160.0
3	M. Hosp.	5	"	38E	NE $\frac{1}{2}$ SE $\frac{1}{2}$	NW $\frac{1}{2}$ SE $\frac{1}{2}$	SW $\frac{1}{2}$ SE $\frac{1}{2}$	SE $\frac{1}{2}$ SE $\frac{1}{2}$	160.0
4	Lieu	23	17S	34E	NE $\frac{1}{2}$ SW $\frac{1}{2}$	NW $\frac{1}{2}$ SW $\frac{1}{2}$	SW $\frac{1}{2}$ SW $\frac{1}{2}$	SE $\frac{1}{2}$ SW $\frac{1}{2}$	160.0
5	"	22	"	35E	NE $\frac{1}{2}$ SW $\frac{1}{2}$	NW $\frac{1}{2}$ SW $\frac{1}{2}$			80.0
6	"	10	18S	"	NE $\frac{1}{2}$ NE $\frac{1}{2}$	NW $\frac{1}{2}$ NE $\frac{1}{2}$	SW $\frac{1}{2}$ NE $\frac{1}{2}$	SE $\frac{1}{2}$ NE $\frac{1}{2}$	160.0
7	C. S.	16	"	"	NE $\frac{1}{2}$ SW $\frac{1}{2}$	NW $\frac{1}{2}$ SW $\frac{1}{2}$			80.0
8	In. Asy.	20	"	"		NW $\frac{1}{2}$ SW $\frac{1}{2}$	SW $\frac{1}{2}$ SW $\frac{1}{2}$		80.0
9	Lieu	35	"	"		NW $\frac{1}{2}$ NE $\frac{1}{2}$	SW $\frac{1}{2}$ NE $\frac{1}{2}$		80.0
10	In. Asy.	35	"	"		NW $\frac{1}{2}$ NW $\frac{1}{2}$	SW $\frac{1}{2}$ NW $\frac{1}{2}$		80.0
11	"	32	"	36E	NE $\frac{1}{2}$ SW $\frac{1}{2}$	NW $\frac{1}{2}$ SW $\frac{1}{2}$	SW $\frac{1}{2}$ SW $\frac{1}{2}$	SE $\frac{1}{2}$ SW $\frac{1}{2}$	160.0
12	Pen.	11	19S	35E		NW $\frac{1}{2}$ SW $\frac{1}{2}$	SW $\frac{1}{2}$ SW $\frac{1}{2}$		80.0
13	"	1	"	36E				SE $\frac{1}{2}$ SE $\frac{1}{2}$	40.0
14	"	9	"	"	NE $\frac{1}{2}$ SE $\frac{1}{2}$	NW $\frac{1}{2}$ SE $\frac{1}{2}$		SE $\frac{1}{2}$ SE $\frac{1}{2}$	120.0
15	D. D. & B.	27	"	"		NW $\frac{1}{2}$ NW $\frac{1}{2}$	SW $\frac{1}{2}$ NW $\frac{1}{2}$		80.0
16	" " "	"	"	"		NW $\frac{1}{2}$ SW $\frac{1}{2}$			40.0
17	C. S.	2	21S	34E				40.00 Lot 8	40.0
18	Lieu	10	"	"		NW $\frac{1}{2}$ NW $\frac{1}{2}$	SW $\frac{1}{2}$ NW $\frac{1}{2}$		80.0
19	"	17	"	"		NW $\frac{1}{2}$ SW $\frac{1}{2}$	SW $\frac{1}{2}$ SW $\frac{1}{2}$		80.0
20	R. R.	35	"	"	NE $\frac{1}{2}$ NE $\frac{1}{2}$			SE $\frac{1}{2}$ NE $\frac{1}{2}$	80.0
21	Lieu	5	"	35E		40.00 Lot 10	40.00 Lot 15		80.0
22	"	17	"	"	NE $\frac{1}{2}$ NE $\frac{1}{2}$	NW $\frac{1}{2}$ NE $\frac{1}{2}$	SW $\frac{1}{2}$ NE $\frac{1}{2}$	SE $\frac{1}{2}$ NE $\frac{1}{2}$	160.0

Line	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
23	Lieu	28	21S	35E	NE $\frac{1}{4}$ NE $\frac{1}{4}$	NW $\frac{1}{4}$ NE $\frac{1}{4}$	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.00
24	"	19	"	37E			36.85 Lot 2	SE $\frac{1}{4}$ NW $\frac{1}{4}$	76.85
25	"	1	22S	34E	42.64 Lot 1	42.57 Lot 2	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	165.21
26	R. R.	11	"	"	NE $\frac{1}{4}$ NW $\frac{1}{4}$	NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.00
27	C. S.	16	"	"		NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$		80.00
28	Lieu	25	"	"	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	160.00
29	"	29	"	35E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	NW $\frac{1}{4}$ NW $\frac{1}{4}$	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.00
30	R. R.	34	"	"	NE $\frac{1}{4}$ NE $\frac{1}{4}$			SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.00
31	C. S.	36	"	37E			SW $\frac{1}{4}$ SW $\frac{1}{4}$	SE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00
32	"	"	"	"			SW $\frac{1}{4}$ SE $\frac{1}{4}$		40.00
33	"	2	23S	34E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
34	"	2	"	35E		NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$		80.00
35	"	"	"	"	NE $\frac{1}{4}$ SE $\frac{1}{4}$			SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00
36	"	16	"	"	NE $\frac{1}{4}$ SE $\frac{1}{4}$			SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00
37	Lieu	34	"	"	NE $\frac{1}{4}$ NE $\frac{1}{4}$	NW $\frac{1}{4}$ NE $\frac{1}{4}$			80.00
38	C. S.	36	"	"		NW $\frac{1}{4}$ SW $\frac{1}{4}$	SW $\frac{1}{4}$ SW $\frac{1}{4}$		80.00
39	Lieu	10	24S	"	NE $\frac{1}{4}$ NE $\frac{1}{4}$			SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.00
40	C. S.	16	25S	36E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$			80.00
41	M. Inst.	7	23S	35E	NE $\frac{1}{4}$ NE $\frac{1}{4}$	NW $\frac{1}{4}$ NE $\frac{1}{4}$	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.00
42							Total -----		4,202.06
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PAID FOR

1933 \$ 2,101.03 Receipt No. 112974

1934 \$ 2,021.03 " " 134713

1935 \$ 2,021.01 " " 156478

1936 \$ 2,021.03 " " 180697

1937 \$ 4,042.06 " " 207780

PAID FOR

1938 \$ 3802.06 RECEIPT No. 236198

1939 \$ 3,622.06 " " 266312

1940 \$ 4,114.06 " " 295364

1941 \$ 9,602.06 " " 322737

1942 \$ _____ " " _____

(Pay on all except 114-17-218-3 See plate)

Said lands having been awarded to lessee and designated as tract No. 38 at a public sale held by the Commissioner of Public Lands on July 11, 19 32. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of fifty cents per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease, insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tract, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable, and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by lessor, the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five

years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO
BY J. F. Hinkle
COMMISSIONER OF PUBLIC LANDS, Lessor.

BY Alfred M. Blaw
Lessee, Vice Pres. (SEAL)

Distributed this the 13th day of August, 1932.

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person _____ who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me _____

to me known to be the person _____ who executed the foregoing instrument in behalf of _____

and acknowledged that he executed the same as the free act and deed of said _____

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Oklahoma }
COUNTY OF Tulsa } ss.

On this the 2nd day of August, 1932, personally appeared

Alfred M. Blaw
to me personally known, who being by me duly sworn did say that he is the vice president
of Standard Petroleum Corporation,

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____
Alfred M. Blaw
acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: April 15, 1935. Ethel Weckert
Notary Public.

Said lands having been awarded to lessee and designated as tract No. _____ at a public sale held by the Commissioner of Public Lands on _____, 19_____. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of until September 10th, 1933. from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of 50 cents per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the 10th day of September in each year during the time this lease is in force, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease, insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms, express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tract, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five

years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

BY Frank Vesely
COMMISSIONER OF PUBLIC LANDS, Lessor.

AMERADA PETROLEUM CORPORATION,

By Allmand M. Blow
Lessee Vice Pres. (SEAL)

*OK
W.P.H.*

ATTEST:

[Signature]
Asst. Secy.

Distributed this the 27th day of February, 1933.

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me _____

to me known to be the person who executed the foregoing instrument in behalf of _____

and acknowledged that he executed the same as the free act and deed of said _____

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Oklahoma }
COUNTY OF Tulsa } ss.

On this the 3rd day of February, 1933, personally appeared

Allmand M. Blow

to me personally known, who being by me duly sworn did say that he is the Vice President of Amerada Petroleum Corporation,

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____

Allmand M. Blow acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

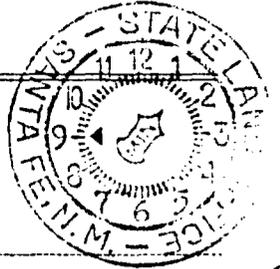
My Commission Expires: _____ Notary Public.

Sept. 28, 1935.

[Signature]

a.h.

Form No. 33 A 2—Corporation



ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

Form 11 That Amerada Petroleum Corporation From a corporation,

JUL 28 1938 761

hereinafter sometimes called "Assignor," party of the first part, for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by

Drilling and Exploration Company, Inc., 537 South Main St. Finney, 800 San Jacinto Building Houston, Tex. Title of Lease Record Dept. whose postoffice address is 400 Continental Building, Dallas, Texas P.O. Box 35366 Dallas 35, Texas

hereinafter sometimes called the "Assignee," party of the second part, has sold, transferred, set over and assigned, and by these presents does sell, transfer, set over and assign to the Assignee its successors and assigns, all of the assignor's rights, title, interest and claim in and to that certain Oil and Gas Lease No. B-1585, made by the State of New Mexico to Amerada Petroleum Corporation

SEE PLATS

under date of January 5th, 1938

RENTAL BECOMES DUE AND PAYABLE ON SEPT. 10th OF EACH YEAR DURING THE TERM OF THIS LEASE.

the Assignor herein, in and to the following described subdivisions of land in said lease described, and insofar as said lease affects such divisions—to wit:

- SE/4 SW/4 and NE/4 SE/4 Section 1, Twp. 19S, Rge. 36E 80 acres
S/2 NW/4 Section 23, Twp. 16S, Rge. 36E 80 acres
S/2 SW/4 Section 22, Twp. 17S, Rge. 35E 80 acres
Total acres - - - 240

Table with columns: PAID FOR, CHECKED IN, RECEIPT. Rows for years 1942-1946 with amounts and receipt numbers.

Table with columns: PAID FOR, RECEIPT No. Rows for years 1937-1941 with amounts and receipt numbers.

ALL ASSIGNED

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to the above described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

IN WITNESS WHEREOF, the said party of the first part has hereunto caused these presents to be signed and sealed by its proper officers by authority of its Board of Directors this the 18th day of July, 1938.

ATTEST: [Signature] AMERADA PETROLEUM CORPORATION By [Signature] Vice-President.

Table with columns: CHECKED IN, PAID FOR, RECEIPT. Rows for years 1952-1956 with amounts and receipt numbers.

OKLAHOMA
STATE OF ~~NEW MEXICO~~

County of TULSA

SS.

On this 18th day of July, 1938, before me personally appeared Allmand M. Blow Vice-
/ to me personally known, who, being by me duly sworn did say that he is the President of the

AMERADA PETROLEUM CORPORATION

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Allmand M. Blow acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

My commission expires January 13, 1942

Josephine Bauman
Notary Public.

Office of Commissioner of Public Lands,
Santa Fe, New Mexico

I hereby certify that the within assignment was filed in my office on the 28th day
of July, 1938, and approved by me on AUG 10 1938, 19

Frank Worden
Commissioner of Public Lands.

INSTRUCTIONS AND INFORMATION

1. All assignments must be filed in duplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.
2. Recording and approval fees are \$5.00 for each assignment.
3. When assignments are accompanied by personal check, they will be held three weeks for collection of checks.
4. Assignments will not be approved for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
5. Assignments must show complete postoffice address of assignee.
6. Assignments must be executed before an officer authorized to take acknowledgement of deeds. Corporations must use corporate form of acknowledgement.

Form 44
From _____

Sch I - Parcel 20
Lease No. 37

ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That Drilling and Exploration Company, Inc.

ATLANTIC RICHFIELD CO.
By Merger
P. O. Box 1978
Roswell, New Mexico 88201
9-4-69

a corporation, hereinafter sometimes called "Assignor," party of the first part, for and in consideration of the sum of One

Dollar, and other good and valuable consideration paid by Sinclair Oil & Gas Company, a
SINCLAIR OIL & GAS COMPANY MERGED
Maine Corporation, INTO SINCLAIR OIL CORPORATION

Sinclair Oil Corporation Merged
into Atlantic Richfield Company
effective March 4, 1969

whose postoffice address is Sinclair Oil Building, P. O. Box 521, Tulsa 2, Oklahoma

hereinafter sometimes called "Assignee," party of the second part, has sold, transferred, set over and as-

signed, and by these presents does sell, transfer, set over and assign to the Assignee, its
successors and assigns, all of the assignor's right, title, interest and claim in and to that certain Oil and Gas Lease No.

B-1585, made by the State of New Mexico to Amerada Petroleum Corporation

under date of January 5 Sept. 10 8m, 19 63

and thereafter assigned to _____

_____ the Assignor herein,
in and to the following described subdivisions of land in said lease described, and insofar as said lease affects such di-
visions, —to wit:

Township 17 South, Range 35 East, N.M.P.M.
Section 22: S $\frac{1}{2}$ SW $\frac{1}{4}$ C. 8,

containing 80 acres, more or less.

RECEIVED
OCT 4 9 47 AM '63
STATE LAND OFFICE
SANTA FE, N.M.

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rental and royalties, and to do such other acts as are by said lease required as to the above described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

IN WITNESS WHEREOF, the said party has hereunder caused these presents to be signed and sealed by its proper

officers by authority of its Board of Directors this the 1st day of October, 19 63

ATTEST: _____ DRILLING AND EXPLORATION COMPANY, INC.

Gael Agan Assistant Secretary.
SECRETARY

By G. R. Brainard Vice President.
G. R. BRAINARD, PRESIDENT

2. 30518

Delaware
STATE OF ~~NEW MEXICO~~
County of New Castle } ss.

The foregoing instrument was acknowledged before me this 1st day of October, 19 63
by E. A. Roberts, Jr. G. R. BRADLEY, Vice President
of Drilling and Exploration Company, Inc. a Delaware corporation
on behalf of said corporation.

My Commission Expires: Nov 1964 Thomas M. Minnow
Notary Public

Office of Commissioner of Public Lands,
Santa Fe, New Mexico

I hereby certify that the within assignment was filed in my office on the 4 day
of Oct., 19 63, and approved by me on OCT 24 1963, 19 63
Esmael
Commissioner of Public Lands.

INSTRUCTIONS AND INFORMATION

50¢

1. An annual rental, at the rate of _____ per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).
2. The lease is for a primary term of Five Years from the date of the lease, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions set forth in the lease.
If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. But the annual rental on any assignment shall in no event be less than Twelve Dollars (\$12.00) during the secondary term.
3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
4. Effective September 1, 1957, recording fee for each assignment is \$10.00.
5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.
6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
7. Assignments must show complete postoffice address of assignee.
8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.
9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.
10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.
11. Make all payments for annual rental and recording and approval fees, to

COMMISSIONER OF PUBLIC LANDS
SANTA FE, NEW MEXICO

Said lands having been awarded to lessee and designated as tract No. _____ at a public sale held by the Commissioner of Public Lands on _____, 19_____. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term ~~xx~~ until January 11, 1934 from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental at the rate of fifty cents per acre during the primary term hereof shall also become due and payable to the lessor by the lessee or by any transferee or assignee of the same or any part hereof, where such transferee or assignee has been recognized, and such transfer or Assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and rental during secondary term as provided in Paragraph 15 herein shall be due and payable in advance to the lessor on the 11th day of January in each year during the time this lease is in force, but the annual rental on any Assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease, insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tract, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by lessor, the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five

years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

BY [Signature]
COMMISSIONER OF PUBLIC LANDS, Lessor.

CORANA PETROLEUM COMPANY.

By [Signature]
Lessee. V. Pres (SEAL)

Distributed this the 7th day of December, 1933.

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person who executed the foregoing instrument in behalf of _____

and acknowledged that he executed the same as the free act and deed of said _____

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Texas }
COUNTY OF Navarro } ss.

On this the 4th day of December, 1933, personally appeared R. L. Wheelock,

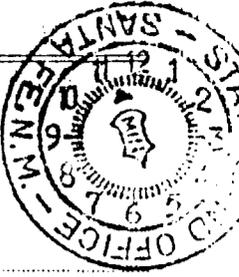
to me personally known, who being by me duly sworn did say that he is the Vice-president of Corana Petroleum Company,

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said

R. L. Wheelock, acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: June 1, 1935 Annie Lou Hawkins Notary Public. Navarro County, Texas



ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

Form 44 That Corana Petroleum Company
From Corana Petroleum Company
a corporation,

APR 10 1938 PM

hereinafter sometimes called "Assignor" party of the first part, for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by

Phillips Petroleum Company

Drawn "B"

whose postoffice address is Bartlesville, Oklahoma

74004

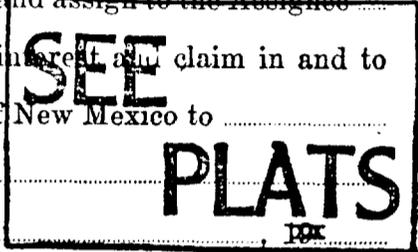
hereinafter sometimes called the "Assignee" party of the second part, has sold, transferred, set over and assigned, and by these presents does sell, transfer, set over and assign to the Assignee

its successors and assigns, all of the assignor's right, title, interest and claim in and to

that certain Oil and Gas Lease No. B-2264, made by the State of New Mexico to

Corana Petroleum Company

under date of December 2, 1933

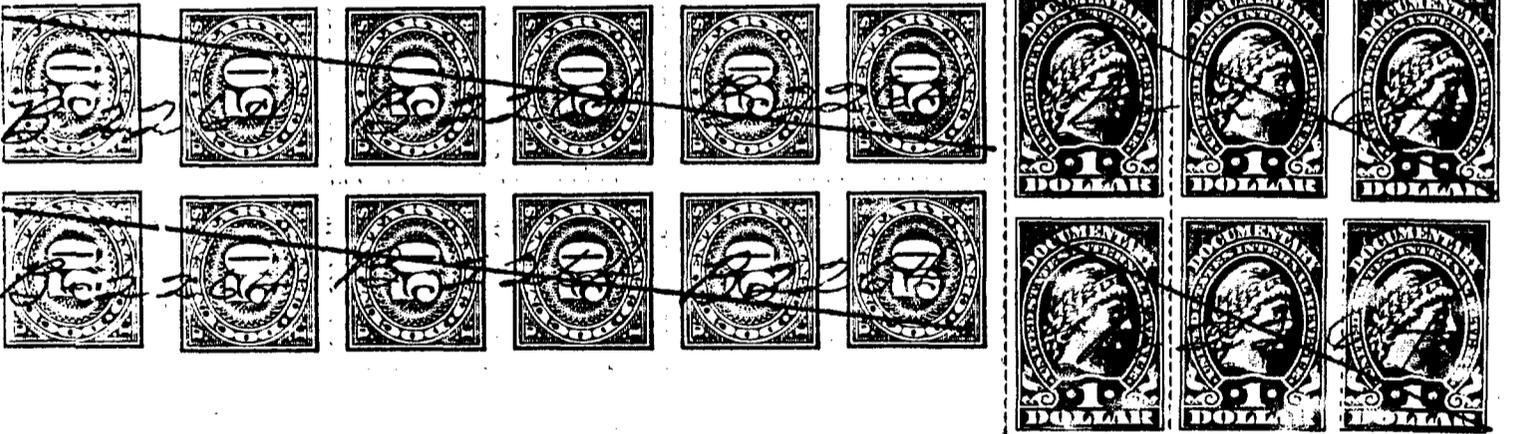


(Rental becomes due and payable on January 11th of each year during the term of this lease)

the Assignor herein, in and to the following described subdivisions of land in said lease described, and insofar as said lease affects such divisions, to-wit:

The West Half of the East Half ($W\frac{1}{2} E\frac{1}{2}$) of Section 21, and the North Half ($N\frac{1}{2}$) of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico.

See



The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to the above described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

IN WITNESS WHEREOF, the said party of the first part has hereunto caused these presents to be signed and sealed by its proper officers by authority of its Board of Directors this the 13 day of April, 1938.

ATTEST:
[Signature]
Secretary.

CORANA PETROLEUM COMPANY
By *W.C. Stroube*
President.

FEE — \$5.00

RECORDED
INDEXED

TEXAS

STATE OF ~~NEW MEXICO~~

County of NAVARRO

} ss.

On this 13th day of April, 1938, before me personally appeared

W. C. Stroube to me personally known, who, being by me

duly sworn did say that he is the President of the Corana Petroleum Company

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and

that said instrument was signed and sealed in behalf of said corporation by authority of its Board of

Directors, and said W. C. Stroube acknowledged said instrument

to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year first above written.

Lorraine Butler
Notary Public.

Navarro County, Texas

My commission expires June 1939

Office of Commissioner of Public Lands,
Santa Fe, New Mexico,

I hereby certify that the within assignment was filed in my office on the 18th day of April, 1938, and approved by me on APR 25 1938, 19

Frank W. ...
Commissioner of Public Lands.

INSTRUCTIONS AND INFORMATION

1. All assignments must be filed in duplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
2. Recording and approval fees are \$5.00 for each assignment.
3. When assignments are accompanied by personal check, they will be held three weeks for collection of checks.
4. Assignments will not be approved for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
5. Assignments must show complete postoffice address of assignee.
6. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.



ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

Form #.....
From #.....

That

PHILLIPS PETROLEUM COMPANY

JAN 9 1933

Me. 2

a corporation, with an office at Bartlesville, Oklahoma

hereinafter sometimes called "Assignor" party of the first part, for and in consideration of the sum of One Dollar, and other good and valuable consideration paid by

Drilling and Exploration Company, Inc.

whose postoffice address is Dallas, Texas (408 Continental Bldg.)

hereinafter sometimes called the "Assignee" party of the second part, has sold, transferred, set over and assigned, and by these presents does sell, transfer, set over and assign to the Assignee

its

successors and assigns, all of the assignor's right, title, interest and claim in and to that certain Oil and Gas Lease No. B-2264, made by the State of New Mexico to

Corana Petroleum Company

under date of December 2nd, 1933

and assigned by Corana Petroleum Company to Phillips Petroleum Company

SEE PLATS
the Assignor herein,

(Rental payable Jan. 1st of each year)

in and to the following described subdivisions of land in said lease described, and insofar as said lease affects such divisions, to-wit:

The West Half of the Northeast Quarter ($W\frac{1}{2}$ of the $NE\frac{1}{4}$) of Section 21, and the East Half of the Northwest Quarter ($E\frac{1}{2}$ of the $NW\frac{1}{4}$) and the Northeast Quarter ($NE\frac{1}{4}$) of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico.

B.S.

PAID FOR

1938 \$ <i>paid</i>	RECEIPT No. <i>232259</i>
1939 \$ <i>320.00</i>	" " <i>233598</i>
1940 \$ _____	" " _____
1941 \$ _____	" " _____
1942 \$ _____	" " _____

The Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as said described lands are affected, and to pay such rentals and royalties, and to do such other acts as are by said lease required as to the above described subdivisions, to the same extent and in the same manner as if the provisions of said lease were fully set out herein.

It is agreed that the Assignee shall succeed to all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to the lands above described.

IN WITNESS WHEREOF, the said party of the first part has hereunto caused these presents to be signed and sealed by its proper officers by authority of its Board of Directors this the

12 day of October, 1938.

ATTEST:

W. H. Kinslow
Assistant Secretary

PHILLIPS PETROLEUM COMPANY

By *Stout* Vice President

FEE — \$5.00

252827

RECORDED
INDEXED

Me. 2

OKLAHOMA
STATE OF ~~NEW MEXICO~~ }
County of WASHINGTON } ss.

On this 12 day of October, 1938, before me personally appeared C. O. Stark to me personally known, who, being by me duly sworn did say that he is the Vice President of the Phillips Petroleum Company and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C. O. Stark acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this 10th day and year first above written.



M. G. Daugherty
Notary Public.

My commission expires August 1, 1940

Office of Commissioner of Public Lands,
Santa Fe, New Mexico,

I hereby certify that the within assignment was filed in my office on the 9th day of January, 1939, and approved by me on JAN 17 1939, 19

Frank W. ...
Commissioner of Public Lands.

INSTRUCTIONS AND INFORMATION

1. All assignments must be filed in duplicate in the State Land Office within 100 days from date of issue and accompanied by Cashier's Check, Bank Draft, P. O. or Express Money Order.
2. Recording and approval fees are \$5.00 for each assignment.
3. When assignments are accompanied by personal check, they will be held three weeks for collection of checks.
4. Assignments will not be approved for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
5. Assignments must show complete postoffice address of assignee.
6. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.

RECEIVED



OIL AND GAS LEASE

THIS AGREEMENT, dated this the 10th day of April, A. D. 1955, and entered into by and between the STATE OF NEW MEXICO, acting by and through the Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and Magnolia Petroleum Company, a Texas Corporation of Dallas, Texas, P. O. Box #900, Dallas, Texas, party of the second part, hereinafter called the "Lessee", whether one or more,

WITNESSETH: WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with and said application has been approved and allowed by the Commissioner of Public Lands:

THEREFORE, for and in consideration of the premises as well as the sum of One thousand four hundred fifty and no/100 (\$ 1450.00) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. 131585, and of the further sum of \$ 5.00 filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the following described land situate in the County of Lea State of New Mexico, and more particularly described as follows:

Miscellaneous Instrument No. _____
P. O. Box 1800, Hobbs, New Mexico, changed to Mobil Oil Corporation, P. O. Box 633, Midland, Texas 79703-633-11
Effective: May 18, 1966, Socrony Mobil Oil Company, Inc.

DALLAS 21, TEXAS

RECEIPT PAID FOR 1950 \$1440.18 No. C-27275
1951 \$1440.18 No. C-522465
1952 \$1440.18 No. D-521255
1953 \$1440.18 No. D-521255
1954 \$1440.18 No. D-521255
1955 \$1440.18 No. D-521255
1956 \$1440.18 No. D-521255
1957 \$1440.18 No. D-521255
1958 \$1440.18 No. D-521255
1959 \$1440.18 No. D-521255

Lane	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
1	Lieu C.S.	8	17S	35E		NW 1/4 SE 1/4			40.00
2	" C.S.	15	17S	35E	NE 1/4 SE 1/4			SE 1/4 SE 1/4	80.00
3	" C.S.	21	17S	35E	NE 1/4 NE 1/4				40.00
4	" C.S.	22	17S	35E	NE 1/4 SE 1/4	NW 1/4 SE 1/4	SW 1/4 SE 1/4	SE 1/4 SE 1/4	160.00
5	" C.S.	26	17S	35E	NE 1/4 NE 1/4	NW 1/4 NE 1/4			80.00
6	" C.S.	33	17S	36E	NE 1/4 NW 1/4	NW 1/4 NW 1/4			80.00
7	"	"	"	"	NE 1/4 SE 1/4	NW 1/4 SE 1/4		SE 1/4 SE 1/4	120.00
8	P. Bldg.	32	17S	36E		NW 1/4 SE 1/4	SW 1/4 SE 1/4		80.00
9	I. Asy.	24	18S	35E				SE 1/4 SE 1/4	40.00
10	I. Asy.	27	18S	35E	NE 1/4 NE 1/4	NW 1/4 NE 1/4	SW 1/4 NE 1/4	SE 1/4 NE 1/4	160.00
11	Lieu C.S.	7	18S	36E	NE 1/4 SE 1/4	NW 1/4 SE 1/4	SW 1/4 SE 1/4	SE 1/4 SE 1/4	160.00
12	C.S.	16	18S	36E	NE 1/4 NW 1/4	NW 1/4 NW 1/4	SW 1/4 NW 1/4	SE 1/4 NW 1/4	160.00
13	Lieu C.S.	3	18S	36E	40.07 Lot 1	40.11 Lot 2	SW 1/4 NE 1/4	SE 1/4 NE 1/4	160.18
14	"	"	"	"	NE 1/4 SW 1/4	NW 1/4 SW 1/4			80.00
Total									1440.18

ALL ASSIGNED TO

PAID FOR RECEIPT

1955 \$1440.18 Receipt No. 150972

1956 \$1440.18 " " 174423

1957 \$1440.18 " " 200644

1958 \$1440.18 " " 228399

1959 \$1440.18 " " 258907

1940 \$1440.18 RECEIPT No. 288380

1941 \$1440.18 " " 315409

1942 \$1440.18 " " 3252

1943 \$1440.18 " " 26245

1944 \$1440.18 " " 51389

1945 \$1440.18 " " 4852

1946 \$1440.18 " " 3889

1947 \$1440.18 " " 55762

1948 \$1440.18 " " 81510

1949 \$1440.18 " " 235785

1950 \$1440.18 " " 27275

1951 \$1440.18 " " 522465

1952 \$1440.18 " " 521255

1953 \$1440.18 " " 521255

1954 \$1440.18 " " 521255

1955 \$1440.18 " " 521255

1956 \$1440.18 " " 521255

1957 \$1440.18 " " 521255

1958 \$1440.18 " " 521255

1959 \$1440.18 " " 521255

Said lands having been awarded to lessee and designated as tract No. _____ at a public sale held by the Commissioner of Public Lands on April 10th, 19 34. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of \$1.00 cents per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease, insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tract, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by lessor, the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five

years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

BY *Edward T. Kelly*
COMMISSIONER OF PUBLIC LANDS, Lessor.

MAGNOLIA PETROLEUM COMPANY

By *D. A. Little*
President Lessee. (SEAL)

ATTEST:

E. Newman
Assistant Secretary

Distributed this the 2nd day of May, 1934

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person _____ who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as _____ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF _____ }
COUNTY OF _____ } ss.

On this the _____ day of _____, 19____, personally appeared before me _____

to me known to be the person _____ who executed the foregoing instrument in behalf of _____

and acknowledged that he executed the same as the free act and deed of said _____

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS }
COUNTY OF Dallas } ss.

On this the 24th day of April, 1934, personally appeared

D. A. LITTLE

to me personally known, who being by me duly sworn did say that he is the President of Magnolia Petroleum Company

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____

D. A. Little

acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: _____ Notary Public.

June 1, 1935.

FIRST COPY

LEASE NO. V-1520

APPLICATION NO. V-1520

OIL AND GAS LEASE
(Discovery Form)

THIS AGREEMENT, dated JULY 1, 19 85, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and T. H. Mc ELVAIN, JR.

whose address is P.O. BOX 2148, SANTA FE, NEW MEXICO 87504

hereinafter called the "lessee",

WITNESSETH:

WHEREAS, the lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of EIGHTY TWO THOUSAND AND NO/100----

----- dollars (\$ 82,000.00),

the same being the amount of the tender above mentioned, and the further sum of \$ 30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas (including carbon dioxide and helium), or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephone lines, tanks, power houses, stations, gasoline plants and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the covenants and conditions hereinafter set out, the following described land situated in the county of LEA, state of New Mexico, and more particularly described as follows:

Line	SUBDIVISION	Sec.	Twp.	Rge.	Acres	Institution
1	NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$	22	17S	35E	240.00	C.S.
2						
3						
4						
5						
6						
7						

REGULAR

Said lands having been awarded to lessee and designated as Tract No. V-0-10 at a public sale held by the commissioner of public lands on 6/18, 19 85.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land by lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-sixth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into the pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-sixth, part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-sixth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion or conservation of oil or gas or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom, and if the lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. The amount of any annual royalty payable under this section shall equal twice the annual rental due by the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year; provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further, that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. An annual rental at the rate of \$1.00 per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the lessor a duly executed release thereof and in event said lease has been recorded then he shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land which is draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells, all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to the interest of the beneficiaries of the lands granted hereunder to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee so defaulting, by registered or certified mail, addressed to the post office address of such lessee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all of such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence.

Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

16. Lessees, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substances to likewise waive any such rights.

18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

20. All terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

RECEIVED
JUL 10 1 06 PM '85
STATE LANDS OFFICE
SANTA FE N.M.

STATE OF NEW MEXICO

By: Jim Baca
Commissioner of Public Lands, Lessor

T. H. McElvain, Jr.
[Signature] (Seal)
Lessee

(PERSONAL ACKNOWLEDGEMENT)

STATE OF NEW MEXICO
COUNTY OF SANTA FE } ss.

The foregoing instrument was acknowledged before me this 9th day of July, 19 85, by T. H. McElvain, Jr.

My commission expires: 10-29-86 [Signature]
Notary Public

(ACKNOWLEDGEMENT BY ATTORNEY-IN-FACT)

STATE OF _____
COUNTY OF _____ } ss.

The foregoing instrument was acknowledge before me this _____ day of _____, 19____, by _____ as attorney-in-fact in behalf of _____

My commission expires: _____
Notary Public

(ACKNOWLEDGEMENT BY CORPORATION)

STATE OF _____
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ (Corporation)

_____ (Name) _____ (Title) _____ (Corporation)

a _____ corporation, on behalf of said corporation.

My commission expires: _____
Notary Public