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Oil, Gas and Mineral Lease

THIS AGREEMENT Entered into this the 25th day of June, 1958,
between Joe I. Herrera and Encion Herrera, husband and wife,
and A.L. Duff, Jr., hereinafter called lessor,
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten and No/100, Dollars (\$10.00),
in hand paid, and of the covenants and agreements hereinabove contained to be performed by the lessee, has this day granted and leased and hereby
grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas, casinghead gasoline,
and all other mineral, laying pipe lines, building roads, tanks, storing oil, building power stations, telephone lines and other structures thereon to
product, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land
in La Plata, County, New Mexico known as:

Southeast Quarter of the Southwest Quarter (- SE_{1/4}) of
Section 11, Township 32 North, Range 7 West, N.M.P.M.

~~XXXXXX~~ ~~XXXXXX~~ ~~XXXXXX~~ ~~XXXXXX~~ ~~XXXXXX~~ and containing .400 acres; more or less.
This lease shall remain in force for a term of ten years but so long thereafter as oil, gas, casinghead gas, casinghead gasoline or other
mineral or any of them is or can be produced. Five (5)

2. The lessee shall deliver to the credit of the lessor as royalty, five percent (5%) in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or, at lessor's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

3. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where gas from a well or wells capable of producing gas only is not sold or used, lessor may pay annually as royalty an amount equal to the delay rental as provided in Section 5 hereof, which payment shall not be less than \$100.00 per well per year, and if such payment is made it will be considered that gas is being produced from the above described land under all of the terms and provisions hereof; The lessor to have gas free of charge from any gas well on the leased premises for stoves and lights lighter to the principal dwelling house on said land by making his own connections with the well, the use of paid gas to be at the lessor's sole risk and expense. The lessee shall pay to the lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. It said gas is to be sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof; and on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at lessor's election, except that on sulphur the royalty shall be fifty cents (.50c) per long ton.

4. If operations for the drilling of a well for oil or gas are not commenced on said land or on acreage pooled therewith on or before one year from this date, this lease shall terminate as to both parties, unless the lessor shall, on or before one year from this date, pay or tender to the lessor or for

the lessor's credit in the Ignacio State Bank at Ignacio, Colorado, or its successors, which bank and its successors are the depository of oil and all sums payable under this lease,

regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of:

Forty and no/100, dollars (\$40.00) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner, and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessor or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

5. Should any well drilled on the above described land or on acreage pooled therewith during the primary term before production is obtained be a dry hole, or should production on said land or on acreage pooled therewith be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land or on acreage pooled therewith or before the first rental paying date next succeeding the completion of a dry hole or the cessation of production of drilling or reworking operations on said well or wells, then this lease shall terminate unless lessor, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 3 covering the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil or gas on said land or on acreage pooled therewith, lessor should drill a dry hole thereon, or if after discovery of oil or gas on said land or on acreage pooled therewith, the production should cease during the last year of said primary term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term.

6. Lessor, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in lessor's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres plus an acreage tolerance of ten per cent (10%) of forty (40) acres for oil, and not exceeding six hundred and forty (640) acres plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any existing well unit pattern which may be prescribed by governmental authorities having jurisdiction. Lessor may pool or combine any unit or units in whole or in part, or any portion thereof, above provided, as to all oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined, as to any other stratum, and areas, and units need not conform as to area with unit area. The pooling in one or more instances shall not exhaust the rights of lessor to any acreage not heretofore included in this lease or portions thereof into other units. Lessor shall execute in writing and place of record an instrument of instrument identifying and describing the pooled acreage. This entire acreage so pooled into a unit shall be treated as one unit, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereof, of a well as a shot-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells so located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest thereon bears to the total acreage so pooled in the particular unit involved. Should any unit so originally created hereunder contain less than the maximum number of acres hereinabove specified, then lessor may at any time thereafter, whether before or after production is obtained in the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, lessor shall execute and place of record a supplemental declaration of utilization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of utilization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of utilization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production lessor may terminate any unutilized area by filing of record notice of termination.

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

8. The lessor shall have the right to use, free of rent, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, this lease shall bury pipe lines below plow depth and shall bear for damage caused by its operation to growing crops on said land. No well shall be drilled nearer than 50 feet to the house or barn now on said premises without written consent of the lessor. lessor shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, buildings and other structures placed on said premises, including the right to draw and remove all earth.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessor until after notice to the lessor and it has been furnished with the written transfer or assignment or a certified copy thereof. In case lessor assigns this lease, in whole or in part, lessor shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. The estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessor until after notice to the lessor and it has been furnished with the written transfer or assignment or a certified copy thereof. In case lessor assigns this lease, in whole or in part, lessor shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

11. The lessor hereby warrants and agrees that he has the right to conduct operations for drilling a new well on said land or on acreage pooled therewith or reworking an old well thereon, or, if, after the expiration of the primary term, production on this lease or on acreage pooled therewith shall cease, this lease nevertheless shall continue as long as said operations, or additional operations are had on this lease or on acreage pooled therewith, which additional operations shall be deemed to be had where, not more than sixty (60) days elapsed between abandonment of operations on one well and commencement of operations on another well, and if production is discovered, this lease shall continue as long thereafter as oil, gas or other mineral is produced on said land or on acreage pooled therewith, and as long as additional operations are had thereon.

12. lessor may at any time surrender this lease, in whole or in part, by delivering or mailing a release or releases thereof to the lessor or by placing a release or releases thereof in the proper county.

13. It is agreed that this lease shall never be forfeited or canceled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until it shall have first been finally determined that such failure exists, and after such final determination, lessor shall be given a reasonable time therefrom to comply with any such covenants, conditions or stipulations.

14. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessor held liable in damages, for failure to comply therewith, if compliance is prevented by or is due to the result of, any such Law, Order, Rule or Regulation, or if prevented by an act of God, or the public enemy, labor dispute, inability to obtain material, failure of transportation, or other cause beyond the control of lessor.

436 16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

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

Joe I. Herrera
Julieta Gracia Herrera
Susanna Herrera

ACKNOWLEDGMENT OF NATURAL PERSON

STATE OF NEW MEXICO COLORADO }
COUNTY OF LA PLATA } ss.

On this 25th day of JUNE, 1958, before me personally appeared Joe I. Herrera and Ascencion Herrera, husband and wife.

to me known to be the person so described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

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

My Commission expires: My Commission expires June 5, 1952 *Dan Ayala* Notary Public.

ACKNOWLEDGMENT OF NATURAL PERSON ACTING AS ATTORNEY
STATE OF NEW MEXICO } ss.



June 10, 1958

On this day of , 19 , before me personally appeared to me known to be the person who executed the foregoing instrument in behalf and acknowledged that he executed the same as the free act and deed of said.

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

My Commission expires:

Notary Public.

No. 284011
NOTARY PUBLIC
Oil, Gas and Mineral Lease
FROM

To
No. Acres..... Term.....
Dated....., 19.....
Section..... Twp..... Rge.....
County.....
STATE OF
County of La Plata } ss.
This instrument was filed for record on the
day of Oct., 1958.
At 1:56 o'clock P.M., and duly recorded
in Book 396, Page 435 of the
record of this office.

(b) *Edith C. Hul* - County Clerk
(When Recorded)

Return to:

Edith C. Hul
County Clerk

ACKNOWLEDGMENT OF CORPORATION OR JOINT STOCK ASSOCIATION

STATE OF NEW MEXICO }
COUNTY OF } ss.

On this day of , 19 , before me appeared to me personally known who being by me duly sworn, did say that he is the of the and that the seal affixed to said 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 that said acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

Notary Public.