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SANTA FE, NEW MEXICO 87501

TELEPHONE 982-1965

August 16, 1965

Mrs. Laura Gilpin
P. O. Box 1173
Santa Fe, New Mexico

Re: Oil and Gas Lease from Len Mayer

Dear Mrs. Gilpin:

We have received the proposed oil and gas lease submitted to you by Mr. Len Mayer. It is our recommendation that you execute the lease and return it to Mr. Mayer.

Our only concern was in regard to the pooling clause. However, as Mr. Mayer explains it, this arrangement should be beneficial to you since you will share in all allowable production if production is attained. Your total royalty interest would be a 3/16th royalty interest in the 1100 barrels produced per month.

Mr. Mayer asked that we ask you again for the address or whereabouts of Mrs. Edna Gilpin, who he assumes is related to you. If you could give him that information, I am certain it would be appreciated.

If you wish, you may return the executed lease to our office and we will forward it to Mr. Mayer.

Very truly yours,

WATSON & WATSON

By 

alt

OIL AND GAS LEASE

THIS AGREEMENT made this 1st day of July, 1965, between

Mrs. Laura Gilpin

of Santa Fe, N. M.
(Post Office Address)

herein called lessor (whether one or more) and Len Mayer, Box 1495, Roswell, N. M., lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein granted, hereby grants, leases and lets unto the lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things therein to produce, save, take care of, treat, process, store and transport said minerals, **all rights down to the depth of 5000' or the base of the San Andres Formation, whichever is deeper, of the following described land in Lea County, New Mexico, to-wit:**

Twd. 11S. Rge. 32E. NMPM
Sec. 23: 3 1/2

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well and brought to the surface and saved from said land, same to be delivered at the wells or to the credit of lessee in the pipe line to which the wells may be connected; (b) on gas, including gas which is gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product thereof, the market value at the mouth of the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; (c) and at any time when this lease is not validly in effect, the royalty on gas shall be one-eighth of the amount realized from such sale, but gas is not being so sold or used and such well is shut in, either before or after production thereof, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee or any assignee hereunder may pay or tender an advance annual royalty equal to the amount of delay rentals provided for in this lease for the acreage hereunder making such payment or tender, and so long as said advance royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Such payments may be paid or tendered in the depository bank and in the same manner as provided herein for the payment or tender of delay rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before nine months from this date, this lease shall terminate

as to both parties, unless before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ _____ per acre per month which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months, in like manner and upon the payment of rentals, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term, and the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term.

Payment of rentals may be made to the lessor or to the

bank or other person or entity to which the lessor or any assignee hereunder may be indebted, and in such case the lessor or any assignee hereunder shall continue to be the agent for the lessor and lessee's heirs and assigns. If such bank (or any successor bank) shall fail, terminate, or be succeeded by another bank or other person or entity, then the lessor or any assignee hereunder shall, within thirty (30) days after the failure, termination, or succession, execute and deliver to the lessee a written instrument making provision for another acceptable method of payment or tender, and any delinquency thereof shall be a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessee, or any assignee, if more than one, on or before the rental payment date.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of 10%, and units pooled for gas shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecuting the same, or if (it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

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

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee; and no change or division in such ownership shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by registered mail to its principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals or royalties to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the reasons enabling the change of ownership. In the event of an assignment of this lease, or a separate assignment of any part of the land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder, and if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make payment of said rentals.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event of any such discharge, lessee shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, in the event of failure of title, it is agreed that if lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals due lessor shall be reduced proportionately; should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/heir successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved of all obligations and covenants implied, or otherwise made binding upon the party or parties executing the same, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Laura Gilpin

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of July,
19 65 by Mrs.. Laura Gilpin

My Commission expires _____, 19____, Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____, Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____, Notary Public

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____, Notary Public

No. _____
OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO

COUNTY OF _____

I hereby certify that this instrument was filed for
record on the _____ day of _____,
A. D. 19____, at _____ o'clock _____ m., and
was duly recorded in Book _____ at Page _____
of the Records of said County.

County Clerk.

By _____ Deputy.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public