

Len Mayer

OIL PRODUCER

P. O. BOX 1495
ROSWELL, NEW MEXICO
PHONE: BUS. 622-1503
RES. 622-6281

December 1, 1966

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

Re: S½ Sec. 23, Twp. 11S,
Rge. 32E, Lea County,
New Mexico

Dear Miss Gilpin:

This past June I contacted you regarding a short term lease which I had on your mineral interest, as captioned above. In this letter I advised you of the difficulty which I had run into regarding the drilling of the well on this lease due to heavy salt water flow encountered by Texaco three quarters of a mile away. Due to the fact that I could not continue drilling, I had to abandon the well at 300 feet where I had set surface casing, and as mentioned in my letter of June 30th would re-negotiate our lease contract.

The delay in time has been in re-assembling this tract as there are some 30 mineral owners involved. I have now received consent from the majority of the mineral owners to lease to me for a one year period, subject to a 3/16ths royalty, as most of the owners prefer the additional royalty to a \$10 an acre bonus with no additional royalty.

I have taken the liberty of enclosing an oil and gas lease drawn in this manner on your interest. I would appreciate you and your spouse executing at the bottom of the page in the presence of a notary public and have the notary complete the partially filled in acknowledgment on the reverse side, and return the lease to me at the letterhead address.

If all goes well I anticipate commencing operations sometime in February on the acreage, using a new drilling program as outlined in my letter to you of June 30th.

Thanking you for your consideration in this matter,
I am

Yours very truly,

Len Mayer
Len Mayer

LM:vj
Encl.

OIL & GAS LEASE

THIS AGREEMENT made this 25 day of November

19 66, between

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, hereby grants, conveys and lets exclusively for the purpose of investigating, exploring, producing, 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 thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Lea County, New Mexico, to-wit:

Twp. 11S Rge. 32E NMPM

Sec. 23: S $\frac{1}{2}$

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 ONE year from this 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, ONE percent of that produced and saved from said land, same to be delivered at the well, up to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products, THREE SIX CENTS per thousand cubic feet, the market value at the mouth of the well of ONE percent of the gas so sold or used, provided that on gas sold at the wells the royalty shall be ONE percent of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, then before the expiration of the primary term of this lease, or after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall remain in full force and effect, and the shut-in royalty shall be credited against the delay rentals then due. If the shut-in royalty is not paid or tendered, then on or before 90 days after the expiration of the primary term of this lease, or after the expiration of the shut-in royalty period, then on or before 90 days after the expiration of the shut-in royalty period, each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, ~~XXXXXX~~

~~XXXXXX~~

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, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other 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 operations on or production from any part of any such unit shall be considered for all purposes except the payment of shut-in 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 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 prosecutes 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 or both 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 of 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 with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or jams 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 the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's 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, royalties or payments 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 persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said 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 any one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease in whole or in part, shall to the extent of the interest assigned, relieve and discharge lessee of any obligations 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 in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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 hereunder; 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 lessee does so, it 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, if this lease covers a large interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, by reason of the above warranty, bears to the entire fee simple estate therein. Should any 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 heirs, 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 recording a release thereof of record in the County in which the land is situated. If the lease is so surrendered, then the shut-in royalty 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.

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

The foregoing instrument was acknowledged before me this _____ day of December,
19 66 by 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