

23733 - I 19536 OIL AND GAS LEASE

AGREEMENT, Made and entered into this

7th

day of

October

1948

by and between Mary Lorena Higgins, Individually, Trustee and Attorney-in-Fact for W.F. Higgins, Mrs. Julia Maddox, Flora May Edwards, Mrs. Eula Higgins, Earl Curtis Higgins, Mrs. Mary Higgins Smith, S.O. Higgins, J. Vernon Higgins, and Samuel Otis Higgins

J. D. Hunter

Party of the first part, hereinafter called lessor (whether one or more) and

Party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and No/100 DOLLARS cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased, and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas, and laying pipe lines, and building tanks, powers, stations and structures thereon to produce, save and take care of said

products, all that certain tract of land situate in the County of Lea, State of New Mexico, described as follows, to-wit:

South half of Section 21; and, Lot 3 and East Half of the South west Quarter, and the Southwest Quarter of the Southeast Quarter of Section 18; and the Northeast Quarter of the Northwest Quarter and the Northwest Quarter of the Northeast Quarter of Section 19; all in

(It is understood and agreed by the parties hereto that the lessor only owns and claims an undivided 1/8th interest in and to the minerals under the South Half of Section 21, and an undivided 4/25ths interest under that part of Sections 18 and 19 as described above; and, the rentals and royalties hereinafter provided for shall be reduced proportionately.)

~~XXXXXXXXXX~~ Township 16 South Range 37 East and containing 570 acres, more or less.

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

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

FIRST. To deliver to the credit of lessor, free of cost, in the pipe line to which he may connect his wells, the equal of one-eighth (1/8) part of all oil produced and saved from the leased premises.

SECOND. To pay lessor for gas from each well where gas only is found, the equal one-eighth (1/8) of the gross proceeds at the prevailing market rate, for all gas used off the premises, said payments to be made quarterly and lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling house on said land during the same time by making his own connections with the well at his own risk and expense.

THIRD. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth (1/8) of the gross proceeds at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made quarterly.

If no well be commenced on said land on or before the 7th day of October, 1948, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the People's Bank Bank at Winder, Georgia

or its successor or successors, or any bank with which it may be merged, or consolidated, or which succeeds to its business or assets, or any part thereof, by purchase or otherwise, which shall continue as the depository regardless of changes in the ownership of the said land, the sum of Five Hundred seventy and No/100 DOLLARS,

which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

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

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

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

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

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

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

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

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

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a certified copy thereof. In the event of the death of lessor or his successor in title, any rental payment which may be made hereunder shall be deposited in the depository bank to the credit of the estate of such deceased lessor or his successor in title until lessee shall have been furnished with certified copies of all muniments of title derailing title from such deceased lessor or successor in title to the person succeeding to such interest. And it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands which the said lessee or any assignee thereof shall make due payment of said rentals. An assignment of this lease, in whole or in part, shall as to the extent of such assignment relieve and discharge the lessee of all obligation hereunder.

Compliance with any now or hereafter existing act, bill or statute purporting to be enacted by any Federal or State legislative authority, or with orders, judgments, decrees, rules, regulations made or promulgated by State or Federal courts, State or Federal offices, boards, commissions or committees purporting to be made under authority of any such act, bill or statute, shall not constitute a violation of any of the terms of this lease or be considered a breach of any clause, obligation, covenant, undertaking, condition or stipulation contained herein, nor shall it be or constitute a cause for the termination, forfeiture, revision or reversion of any estate or interest herein and hereby created and set out, nor shall any such compliance confer any right of entry or become the basis of any action for damages or suit for the forfeiture or cancellation hereof; and while any such purport to be in force and effect they shall, when complied with by lessee or assigns, to the extent of such compliance operate as modifications of the terms and conditions of this lease where inconsistent therewith.

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

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgage, taxes or other liens on the above described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

In TESTIMONY WHEREOF WE SIGN, this the 7th day of October, 1948

~~XXXXXX~~ Mary Lorena Higgins, Individually, Trustee and Attorney-in-Fact for W. F. Higgins, Mrs. Julia Maddox, Flora May Edwards, Mrs. Eula Higgins, Earl Curtis Higgins, Mrs. Mary Higgins Smith, S. O. Higgins, J. Vernon Higgins, and Samuel Otis Higgins. (SEAL)

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