

AD1375



WILLIAM R. HUMPHRIES
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

April 19, 1989

Mobil Exploration and Producing U.S. Inc.
P.O. Box 650232
Dallas, Texas 75265-0232

Attn: Mr. R. A. Luetngen
FAX No. 214-951-4350

Dear Mr. Luetngen:

Pursuant to our telephone conversation of yesterday, the New Mexico Commissioner of Public Lands is withdrawing his intention to cancel those oil and gas leases referenced in the April 6, 1989, Notice Of Intention Of Cancellation which was mailed to Mobil Oil Corporation and Mobil Producing Texas and New Mexico, Inc. The Commissioner is making the withdrawal after receiving Mobil's commitment to supply information relating to the marketing of gas production from state oil and gas leases in lieu of answering the affidavits sent to Mobil on May 25, 1988.

As we understand our discussion of yesterday, Mobil will proceed with due diligence in obtaining the approval of pipelines with which it has reached settlement agreements so that it may forward copies of those settlement agreements and the underlying sales contracts to this office. In addition, Mobil has agreed to furnish such other relevant information as the Commissioner requests, including, but not limited to the following:

--Mobil will identify the state leases associated with each of the settlement agreements. This can be done by State of New Mexico lease numbers, State of New Mexico production unit numbers or well name and location (by forty acre legal subdivision).

--Mobil will explain its policy concerning royalty obligations for prepayments made under a take-or-pay provision in a gas purchase contract.

--Mobil will explain its policy concerning royalty obligations for amounts paid under settlement agreements to satisfy take-or-pay claims, price claims and other claims under gas purchase contracts.

Mr. R. A. Luetttgen
April 19, 1989
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--Mobil will state if, at any time since January 1, 1982, any litigation has commenced in which any provision, obligation, or amount due under any gas purchase contract for gas production from any state oil and gas lease was an issue and will identify the state leases involved.

--Mobil will state if it has any asserted or unasserted claims for credits accrued under a take-or-pay provision in any gas purchase contract for gas production from any state lease.

I look forward to receiving this information as soon as possible. Meanwhile, if you have any questions or desire any clarification on any of the above items, please let me know.

Concerning your inquiry about the November 22 letter, a copy of this letter is attached for your information.

Your agreement to cooperate with us on this matter is appreciated.

Sincerely,



Gary Carlson
Assistant Commissioner for Mineral Resources



STATE LAND OFFICE

MEMORANDUM

DATE: DECEMBER 9, 1982

TO: MICHAEL CUNNINGHAM, OGAD

FROM: FLOYD O. PRANDO, OGD-SLO

SUBJECT: PRODUCTION UNIT NUMBER 18430

MONUMENT ABO UNIT WELL NO. 1-C (NE $\frac{1}{4}$ NW $\frac{1}{4}$)
MOUNMENT ABO FORMATION
STATE OF NEW MEXICO LEASE NO. A-1375

THE CAPTIONED UNIT RECORDS WERE REVIEWED FOR THE PERIOD BEGINNING FEBRUARY 1981 THROUGH AUGUST 1982.

THE FOLLOWING IS A YEARLY COMPARISON OF OIL AND GAS ACCOUNTING DIVISION MONTHLY ROYALTY REPORT AND OIL CONSERVATION DIVISION MONTHLY STATISTICAL REPORTS.

OPERATOR: AMERADA HESS CORPORATION
(100% - PERCENT PARTICIPATION)

VOLUME-BBL'S

REMITTER NO. 328

<u>YEAR</u>	<u>MONTH</u>	<u>OGAD</u>	<u>OCD</u>	<u>DIFFERENCE</u>
1981	MARCH	-0-	366	(366)
	APRIL	62	1280	(1218)
	(REPORTED UNDER SUPPLEMENTAL REPORT - 11/81)			
	MAY	50	1100	(1050)
	(REPORTED UNDER SUPPLEMENTAL REPORT - 11/81)			

VOLUME-MCF'S

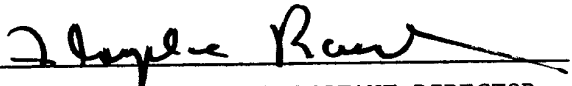
REMITTER NO. 9

<u>YEAR</u>	<u>MONTH</u>	<u>OGAD</u>	<u>OCD</u>	<u>DIFFERENCE</u>
1981	MARCH	267	395	(128)
	(REPORTED UNDER SUPPLEMENTAL REPORT - 12/81)			
	APRIL	692	1044	(352)
	(REPORTED UNDER SUPPLEMENTAL REPORT - 12/81)			
	MAY	940	1405	(465)
	(REPORTED UNDER SUPPLEMENTAL REPORT - 12/81)			
	OCTOBER	3891	3357	534
	(DIFFERENCE REPORTED UNDER SUPPLEMENTAL REPORT- 12/81)			
	NOVEMBER	4215	3654	561
	(DIFFERENCE REPORTED UNDER SUPPLEMENTAL REPORT- 12/81)			

PRODUCTION UNIT NUMBER 18430
STATE OF NEW MEXICO LEASE NO. A-1375

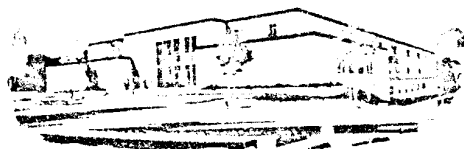
<u>YEAR</u>	<u>MONTH</u>	<u>VOLUME-MCF'S</u>		<u>DIFFERENCE</u>
		<u>OGAD</u>	<u>OCD</u>	
<u>1981</u>	DECEMBER	1144	683	461
	(DIFFERENCE REPORTED UNDER SUPPLEMENTAL REPORT - 2/82)			
<u>1982</u>	JANUARY	1814	1291	523
	FEBRUARY	690	554	136
	MARCH	1562	1014	548
	APRIL	1535	1176	359
	MAY	1479	1137	342
	JUNE	763	558	205
	JULY	1241	1029	212
	AUGUST	640	376	264

WE RECOMMEND THAT YOUR OFFICE REVIEW OUR FINDINGS AND RECONCILE THE DIFFERENCE WITH THE REPORTING ENTITIES. (ATTACHED ARE COPIES OF OUR WORK PAPERS TOGETHER WITH COPIES OF C-112's AND C-111's)


FLOYD O. PRANDO, ASSISTANT DIRECTOR
OIL AND GAS DIVISION - SLO

FOP/ev
(Attached)

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

October 30, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001

Re: Option call for the taking of State royalty oil in kind from State Oil and Gas Lease No. A-1375-33 Tract 904 and purchase thereof by NAVAJO REFINING COMPANY pursuant to contract effective November 1, 1981.

Gentlemen:

The New Mexico State Land Commissioner has entered into a contract with NAVAJO REFINING COMPANY of Artesia, New Mexico 88210, whereby the latter company will purchase State royalty oil. The said Company has now designated for purchasing commencing November 1, 1981, at 7:00 A.M. State royalty oil presently being marketed by Jake L. Hamon or parties designated by you. This will serve to notify you that the State has elected to take its royalty oil in kind as authorized by lease contract from the wells as shown on the attached list. Inasmuch as you are the record lessee with whom the State is required by law to deal, it is therefore your responsibility to see that other interested parties are notified as to this election to take in kind. We are also sending a copy of this notice to unit operators in those instances where unit agreements are involved.

As a practical matter the oil will not be picked up at the lease location but will be delivered to NAVAJO REFINING COMPANY pursuant to a pipeline arrangement worked out by the subject company; therefore, there will be no physical change in the operation. The accounting should be somewhat similar to that used where joint ownership is handled by means of a split ticket.

If you have any question regarding the details as to the manner and method that NAVAJO REFINING COMPANY will arrange for the taking of this oil, please contact Mr. W. T. Lloyd, P. O. Box 159, Artesia, New Mexico 88210, Telephone No. (505) 748-3311.

Amoco Production Company

Date October 30, 1981

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Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Division
A/C 505-827-2748

AJA/RDG/s

cc:

The Operator: Jake L. Hamon
611 The Petroleum Building
Midland, Texas 79701

Commissioner
Oil and Gas Accounting Commission
New Mexico Oil Conservation Division

OIL AND GAS LEASE

NEW MEXICO
STATE LAND OFFICE

THIS AGREEMENT, made and entered into this 5th day of December
by and between the STATE OF NEW MEXICO, acting by and through B. F. Pankey

its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor," and J. Wallace, Trustee, H. F. Keenan, Esther Heron, W. R. Mibler and Walter J. Wallace, Individuals, party of the second part, hereinafter called the "Lessee."

WITNESSETH: 1152 Subway Terminal Bldg., Los Angeles, California.

WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease, together with a sworn appraisal of the true value thereof on lease form No. 40, covering the lands hereinafter described and has tendered the first annual rental with said application being not less than the amount fixed in said appraisal; and

WHEREAS, all of the requirements of law relative to said application and appraisal were duly complied with:

THEREFORE, for and in consideration of the premises as well as the sum of Two Thousand Three
Hundred Sixtyeight and two/100----- (\$2,368.02) Dollars,
the same being the amount of the bid above mentioned, paid in cash, and evidenced by official receipt No. 33333, being

not less than the appraised value of said lease, and of the 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 employes, 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, sub-

ject, however, to the conditions hereinafter set out, the following described land situate in the count y of Lea

State of New Mexico, and more particularly described as follows:

Lane	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
✓ 1	LIEU	15	17S	35E	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 -
✓ 2	"	"	"	"		NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$		80.00 -
S ✓ 3	"	1	18S	36E	40.01 Lot 1			SE $\frac{1}{4}$ NE $\frac{1}{4}$	80.01 -
S ✓ 4	"	"	"	"	40.04 Lot 3			SE $\frac{1}{4}$ NW $\frac{1}{4}$	80.04 -
S ✓ 5	"	"	"	"	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 -
S ✓ 6	"	"	"	"	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 -
S ✓ 7	"	2	18S	36E	40.06 Lot 3	40.06 Lot 4	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.12 -
S ✓ 8	"	"	"	"	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 -
S ✓ 9	"	"	"	"	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 -
S ✓ 10	"	3	18S	36E	40.07 Lot 1	40.11 Lot 2	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.18 -
S ✓ 11	"	"	"	"	40.13 Lot 3	40.16 Lot 4	SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	160.29 -
S ✓ 12	"	"	"	"	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 -
✓ 13	"	4	18S	36E	40.23 Lot 1	40.32 Lot 2	SW $\frac{1}{4}$ NE $\frac{1}{4}$		120.55 -
✓ 14	"	"	"	"	40.42 Lot 3	40.52 Lot 4		SE $\frac{1}{4}$ NW $\frac{1}{4}$	120.94 -
✓ 15	"	10	18S	36E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$		SE $\frac{1}{4}$ SW $\frac{1}{4}$	120.00 -
✓ 16	"	"	"	"	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 -
✓ 17	"	11	18S	36E	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 -
✓ 18	"	"	"	"	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 -
✓ 19	"	12	18S	36E	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 -
✓ 20	CS	2	20S	36E	40.16 Lot 1	40.21 Lot 2	SW $\frac{1}{4}$ NE $\frac{1}{4}$	SE $\frac{1}{4}$ NE $\frac{1}{4}$	160.37 -
✓ 21	"	"	"	"	40.26 Lot 3				40.26 -
✓ 22	LIEU	13	20S	36E	NE $\frac{1}{4}$ SE $\frac{1}{4}$				40.00 -

	Line	Institutions	Sec.	Twp.	Range	SUBDIVISION				Acres
						Column 1	Column 2	Column 3	Column 4	
	23									
	24									
	25									
	26									
	27									
	28									
	29									
	30									
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	48									
	49									
	50									
	51									

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a 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.

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

1. The lessee agrees to 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 the 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 of the equal 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. Lessee further agrees to submit to lessor annually verified reports showing in detail 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 successive anniversary

Line	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
23	LIEU	18	20S	36E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	39.39 Lot 3	39.40 Lot 4	SE $\frac{1}{4}$ SW $\frac{1}{4}$	158.79
24	"	19	20S	36E	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
25	"	"	"	"	NE $\frac{1}{4}$ NW $\frac{1}{4}$	39.44 Lot 1	39.52 Lot 2	SE $\frac{1}{4}$ NW $\frac{1}{4}$	158.96
26	"	"	"	"	NE $\frac{1}{4}$ SW $\frac{1}{4}$	39.58 Lot 3			79.58
27	"	"	"	"	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$			80.00
28	"	20	20S	36E	NE $\frac{1}{4}$ SW $\frac{1}{4}$	NW $\frac{1}{4}$ SW $\frac{1}{4}$		SE $\frac{1}{4}$ SW $\frac{1}{4}$	120.00
29	"	34	20S	36E	NE $\frac{1}{4}$ NW $\frac{1}{4}$	NW $\frac{1}{4}$ NW $\frac{1}{4}$			80.00
30	"	1	21S	34E	37.54 Lot 3	37.58 Lot 4	Lot 5	Lot 6	155.12
31	"	3	21S	34E	38.35 Lot 3	38.50 Lot 4		Lot 6	116.85
32	"	21	21S	34E			SW $\frac{1}{4}$ NW $\frac{1}{4}$		40.00
33	"	22	21S	34E			SW $\frac{1}{4}$ NW $\frac{1}{4}$	SE $\frac{1}{4}$ NW $\frac{1}{4}$	80.00
34	"	3	21S	36E	37.70 Lot 3	37.89 Lot 4	Lot 5	Lot 6	155.59
35	"	"	"	"	Lot 11	Lot 12	Lot 13	Lot 14	160.00
36	"	6	21S	36E		33.24 Lot 4	35.14 Lot 5		68.38
37	"	8	21S	36E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$			80.00
38	"	11	21S	36E			SW $\frac{1}{4}$ NW $\frac{1}{4}$		40.00
39	"	20	21S	36E		NW $\frac{1}{4}$ SE $\frac{1}{4}$			40.00
40	"	22	21S	36E			SE $\frac{1}{4}$ NW $\frac{1}{4}$		40.00
41	Total - - - - - 4,736.03								

12-22-32

Lease extended to Dec 5, 1938. See
Order filed herein.
-L.C.

3294.90

Notice of Payment
Due - Mailed
NOV 5 1929 2107
08 15 30
NOV 6 1931 1647.45
NOV 16 1932 1647.45
NOV 7 1933 1407.14
NOV 13 1935 1407.14

PAID FOR
X 1931 \$1,407.14 Receipt No. 129477
X 1933 \$1,407.14 " " 167268
1936 \$1,407.14 " " " " " " " " " " " "

PAID FOR
1929 \$2107.50 Receipt No. 4565
1930 \$1647.45 " " 63158
1931 \$1647.45 " " 828
1932 \$1527.45 " " 10276
1407.14 123018

16. The parties hereto assume and believe that all the provisions, covenants, conditions, stipulations, agreements, or any part thereof, of this lease are authorized by valid laws of the United States and the State of New Mexico, and in event any of the provisions, covenants, conditions, stipulations, agreements, or any part thereof, is finally judicially determined to contravene either of said laws, this lease shall remain in force and be construed the same as though the invalid provisions, covenants, conditions, stipulations, agreements, or part thereof, had never been incorporated herein.

dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00); and upon failure of such lessee or such transferee or assignee, to pay the said rental for the lands or portions thereof so retained or claimed by each of the same respectively, upon such date, this lease shall cease and terminate and shall be cancelled by the Commissioner, which cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed or possessed by such person so defaulting in such payments, but shall not extend to nor affect the rights of any other person claiming any portion of the lands described upon which no default has been made.

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 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 in so far 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 at the office of the Commissioner of Public Lands or by certified exchange, mailed postage prepaid to the lessor at Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease or any interest herein or any portion of the acreage covered hereby, in which last event lessee shall be liable only for royalties accruing from operations on the acreage retained by it, and be liable only for such portions of the rental under said lease as the acreage retained by the lessee bears to the entire acreage covered by the lease, and the assignee of the lessee shall have correlative rights and privileges with respect to said royalties and rentals as to the acreage assigned.

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.

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 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 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. Violation of any of the covenants herein shall cause a forfeiture of this lease at the option of the lessor.

14. If oil or gas in paying quantities is not developed on the lands herein described within five years from this date, the lessee or his assigns if not in default, shall be given the preference over any and all other applicants to a new lease upon such lands as are then held by the lessee or such assigns under this lease at an increased rental to be fixed by the Commissioner of Public Lands but not less than double the rental herein provided for; but if the lessee or his assigns shall have made valuable improvements on said lands for the purpose of discovering and developing the oil or gas therein, then the lessee or his assigns shall be entitled to such preference at such rental as may be equitable and just both to the state and the lessee to be fixed by the Commissioner of Public Lands.

15. All the 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.

STATE OF NEW MEXICO

By B. J. Wallace
Commissioner of Public Lands, Lessor.
Walter J. Wallace, Trustee

ACKNOWLEDGMENT BY ATTORNEY-IN-FACT

STATE OF NEW MEXICO,)
COUNTY OF SANTA FE,) SS.

On this the 28 day of August, 1930, personally appeared before me CHARLES C. CATRON, Attorney in fact for Walter J. Wallace, Trustee, H. F. Keenan, Married, and Elfleda B. Keenan, his wife, Esther Heron, a single woman, W. R. Millar and Walter J. Wallace, both single, Individuals, to me known to be the person who executed the foregoing instrument in behalf of Walter J. Wallace, Trustee, H. F. Keenan, married, and Elfleda B. Keenan, his wife, Esther Heron, a single woman, W. R. Millar and Walter J. Wallace, both single, Individuals, and acknowledged that he executed the same as the free act and deed of said Walter J. Wallace, Trustee, H. F. Keenan, married and Elfleda B. Keenan, his wife, Esther Heron, a single woman, W. R. Millar and Walter J. Wallace, both single, Individuals.

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
2-3-31

Charles C. Catron
Notary Public

My Commission Expires: