

OIL & GAS LEASE

THIS AGREEMENT made this 17th day of July 19 21 between

Sallie Hutchinson, a widow; Floyd L. Hutchinson, a married man, dealing herein with his sole and separate property

29 South Madison Avenue or Cortez, Colorado 81321 (Post Office Address)

herein called lessor (whether one or more) and STEVENS OIL COMPANY, P.O. Box 2203, Roswell, New Mexico 88201

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 contained hereby grants lease and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, water, other fluids and air into subsurface strata, laying pipe lines, steering oil, drilling tanks, roadways, telephone lines and other structures and things thereon to produce said gas and oil and to transport and dispose of same in the manner hereinafter described in this lease.

following described land in Montezuma County, Colorado to-wit: TOWNSHIP 36 NORTH, RANGE 17 WEST Sec. 18 NW1/4, E2NW1/4, W1/2SE1/4; Lot 4 & SE1/4SW1/4

The Lessors agree that all of the bonus and delay rentals are to be paid to Sallie Hutchinson, a widow. SH FLH

For the purpose of calculating the rental payments hereinafter provided for said land is estimated to comprise 400.82 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 5 years 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. The royalties to be paid by lessee are: (a) on all and other liquid hydrocarbons saved at the well 14.5% of that produced and saved from said land and (b) on gas including casinghead gas and all other gas substances produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom the market value at the mouth of the well of 10% of the gas as sold or used, produced and saved at the well; the royalty shall be 10% of the amount realized from the sale of such gas at any time when this lease is not validated by other production hereof and there is a gas well or condenser well on said land or land pooled therewith but gas and/or condensate is not being as sold or used and such well is shut in either before or after production therefrom then on or before 90 days 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 this lease for the entire term of this lease by the party making such payment or tender, and should such shut-in 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. 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 oil or gas were produced or to 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.

3. 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 unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 400.82 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months in like manner and upon like payments or tenders actually the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the First National Bank

of Cortez, Colorado 81321 which bank or any successor thereof shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate or be succeeded by another bank or for any reason shall fail or refuse to accept rental payments shall not be held in default until thirty (30) days after lessee shall deliver to lessee a recordable instrument naming provision for another acceptable method of payment or tender thereof or lessee shall pay or tender to the lessor or to the credit of the lessor the amount of such rental or payment or tender. Any timely payment or tender of rental or shut-in royalty which is made in a bank file attempt to make proper payment but which is erroneous in whole or in part or in payment or tender of shut-in royalty shall nevertheless be sufficient to validate this lease in the same manner as if such payment or tender of proper payment had been made provided however lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

4. 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 lease, mineral estate 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 paragraph 13 herein 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 shall be effective after the completion of wells. Drilling operations on or production from any part of any unit shall be considered for all purposes except the payment of royalty as operations conducted upon or production from the land described in the 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.

5. If prior to the discovery of oil or gas hereunder lessee should drill and abandon a dry hole or hole hereunder or if after discovery of oil or gas the production therefrom 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 within the primary term of this lease commences 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 hole 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 30 consecutive days. 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 60 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.

6. Lessee shall have free use of oil gas and water from said land and adjacent water from lessor's wells and tanks for all operations hereunder and the royalty shall be computed after deducting any oil gas and water so used. Lessee shall have the right at any time during or after the expiration of this lease to retrieve all property and fixtures placed on said land including the right to draw and remove all casing. When required by lessee lessee will bury all pipe lines or 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 or said land for stoves and inside lights in the principal dwelling therefrom out of any surplus gas not needed for operations hereunder.

7. 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 lessor'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 person entitled to such sum. 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 payments by 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 such assignment 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.

8. 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 laws, measures or by any Federal or state law or any other 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.

9. Lessor here by 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 lessor's rights under the warranty if this lease covers a less 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 in the oil or gas in all or any part of said land or any 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 owned by lessor bears to the whole fee simple estate therein. Should any one or more of the parties named above as lessor fail to execute this lease it shall nevertheless be binding upon the party or parties assuming the same.

10. Lessee hereby succeeds here 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 making a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated hereupon. In the event of such a release or surrender as to acreage so surrendered and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or surrender.

11. The term "oil and/or gas" as used herein shall also include CO2

12. This instrument is subject to paragraph 13 contained on the reverse side hereof.

Executed the day and year first above writ on Floyd L. Hutchinson

Sallie Hutchinson SS#

BOOK 554 PAGE 236

13. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. By Lessor's execution hereof, Lessor consents to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency and it shall not be necessary for Lessor to execute any further instruments.

STATE OF ~~NEW MEXICO~~ COLORADO  
 County of ~~McPHERSON~~ La Plata INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)  
 The foregoing instrument was acknowledged before me this 2nd day of August  
 19 83 by Sallie Hutchinson and Floya J. Hutchinson  
 My Commission expires MY COMMISSION EXPIRES 10-16-86 Blaine E. [Signature]  
 Notary Public

STATE OF ~~Colorado~~ Colorado INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)  
 County of ~~La Plata~~ La Plata  
 The foregoing instrument was acknowledged before me this 2nd day of August  
 19 83 by \_\_\_\_\_  
 My Commission expires \_\_\_\_\_ 19 \_\_\_\_\_ Notary Public

STATE OF NEW MEXICO  
 COUNTY OF Montezuma  
 I hereby certify that this instrument was filed for record on the 16 day of AUG 16 1983  
 A. D. 19 83 at 10:10 o'clock A. m., and was duly recorded in Book 554 at Page 236 of the Records of said County  
Jean Bergantini County Clerk  
 FROM Sallie Hutchinson  
 TO Stewart Oil Co.  
 No. 367747  
 OIL AND GAS LEASE  
 NEW MEXICO  
 Date \_\_\_\_\_ 19 \_\_\_\_\_  
 Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_  
 No of Acres \_\_\_\_\_ County, New Mexico  
 Term \_\_\_\_\_  
 By Elaine C. [Signature] 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

BOOK 555 PAGE 772

DC 534

ASSIGNMENT OF OIL, GAS AND CARBON DIOXIDE GAS LEASE

RECORDED AT 9 40 O'CLOCK A M OCT 13 1983

KNOW ALL MEN BY THESE PRESENTS: That the undersigned,

Assignment No 368671 JEAN CASRAFF Recorder Municipal of

DONALD G. STEVENS, d/b/a STEVENS OIL COMPANY, a sole proprietorship owned by Donald G. Stevens and Mary Irene Stevens, his wife, P. O. Box 2203, Roswell, New Mexico 88201, hereinafter called "Assignors", for and in consideration of Ten and other cash dollars, the receipt of which is hereby acknowledged, do hereby grant, assign and convey to DONALD E. ANDERSON, of Denver, Colorado, hereinafter called "Assignee", the entire interest and title in and to the following described oil, gas and CO2 lease covering lands in Montezuma County, Colorado:

Oil, Gas and CO2 Lease dated July 17, 1981, recorded in Book 529, Page 241 and renewal lease dated July 17, 1981, recorded in Book 554, Page 235 of the records of Montezuma County, Colorado, from Sallie Hutchinson and Floyd L. Hutchinson, as Lessors, to Stevens Oil Company as Lessee, covering:

TOWNSHIP 36 NORTH, RANGE 17 WEST, NMPM Section 18: W/2NE/4; E/2NW/4; W/2SE/4; Lot 4 & SE/4SW/4

TOWNSHIP 37 NORTH, RANGE 17 WEST, NMPM Section 28 N/2NW/4

together with the rights incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

Assignors hereby except and reserve a payment out of production (hereinafter called "Production Payment") equal to \$25,000.00 per acre for the number of net acres assigned hereby, the same to be paid solely out of 4.25% of all of the oil, gas and carbon dioxide which may be produced, saved and marketed from the above described lands under the terms of said lease or any extensions or renewals thereof. In any event, this production payment will terminate when 95% of the estimated recoverable reserves have been produced. If there is any disagreement as to when this 95% cut-off point has been reached, the production payment holder will appoint a petroleum engineer and the producer will appoint a petroleum engineer to reach an agreement, but if they are unable to do so, the two engineers will appoint a third independent petroleum engineer to determine a solution. There shall be no personal liability or obligation on the part of Assignee to pay said production payment, or any part thereof, in cash, it being understood and agreed that said production payment is to be paid solely out of the above described share of the oil, gas and carbon dioxide which may be produced, saved and marketed from the land described hereinabove, or the proceeds of said production. Assignor shall be responsible for Assignor's proportionate part of all taxes and all other assessments levied upon, against, or measured by production of oil, gas and carbon dioxide from said lands but only the net amount received by Assignor shall be credited upon and against said production payment. Oil and gas used in the operation and development of said lands shall be deducted before computing said production payment. No change in the ownership of said production payment, or any part thereof or interest therein, shall be binding upon Assignee until such time as Assignee shall have been furnished with either the original, a certified copy or an acceptable photostatic copy of the recorded instrument or instruments effecting such change in ownership.

In the event the above described lease covers less than the full and undivided fee simple estate in the lands described therein, or in the event the title of Assignors thereunder should fail in whole or in part, then the amount of the production payment per acre reserved by Assignors shall be proportionately reduced.

Assignee is hereby granted the right and power, from time to time, to pool or combine said reserved production payment or any part or horizon thereof, with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or CO2. Pooling pursuant to this authority shall be effected in accordance with the pooling provisions contained in the oil, gas and CO2 lease hereby assigned.

Assignors covenant with and warrant to Assignee that the above described lease is free and clear of all encumbrances made by Assignors and that they will warrant and defend the same to Assignees against the lawful claims and demands of all persons claiming by, through or under Assignors, but against none other.

WITNESS our hands this 19th day of August, 1983.

STEVENS OIL COMPANY

By: Donald G. Stevens, owner

Mary Irene Stevens, his wife

STATE OF NEW MEXICO

BOOK 555 PAGE 773

COUNTY OF Chaves

Before me, the undersigned, a Notary Public, within and for said County and State, on this 19<sup>th</sup> day of August, 1983, personally appeared Donald G. Stevens and Mary Irene Stevens and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

Robert Johnston  
Notary Public

My Commission Expires

October 17, 1984



529 PAGE 242

STATE OF ~~NEW MEXICO~~ COLORADO  
County of ~~Mc~~ ~~1000~~

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by Callie Hutchins, widow, and John Hutchins, her husband, leading barren with his oil and gas lease

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO  
County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO  
County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

No. 5539420  
 OIL AND GAS LEASE  
 NEW MEXICO  
 FROM  
Sally Hutchins  
John R. Hutchins  
 TO  
Stevens Oil Company

Date \_\_\_\_\_, 19\_\_\_\_  
 Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
 No. of Ac. \_\_\_\_\_  
 (County, New Mexico)  
 State of NEW MEXICO  
 County of Montezuma  
 I hereby certify that this instrument was filed for record on the \_\_\_\_\_ day of AUG 28 1981 at 8:40 o'clock A.m., and was duly recorded in Book 529 at Page 241 of the Records of said County.  
John DeGraff  
 County Clerk  
Ed. G. P.L.  
 Deputy

STATE OF NEW MEXICO  
County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, President

\_\_\_\_\_ of said corporation  
My Commission Expires \_\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, President

\_\_\_\_\_ of said corporation  
My Commission Expires \_\_\_\_\_ Notary Public

81 by Dallie Hutchinson, a widow, and Floyd L. Hutchinson, a married man, dealing herein with his sole and separate property.

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. 353420

OIL AND GAS LEASE  
NEW MEXICO

FROM  
Sallie Hutchinson  
Floyd L. Hutchinson  
TO  
Stevens Oil Company

Date \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, New Mexico

Term \_\_\_\_\_

STATE OF NEW MEXICO  
COUNTY OF Montezuma

I hereby certify that this instrument was filed for record on the \_\_\_\_\_ day of AUG 28 1981, at 8:40 o'clock A.m., and was duly recorded in Book 529 at Page 241 of the Records of said County.

Dean Bergoff  
County Clerk

By E.L. Goss Jr.  
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 \_\_\_\_\_

dealing herein with his sole and separate property

29 South Madison Avenue

of Cortez, Colorado 81321

(Post Office Address) 88201

herein called lessor (whether one or more) and STEVENS OIL COMPANY, P.O. Box 2703, Roswell NM

1. Lessor in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the covenants herein provided and of the elements of the lease herein contained hereby grants, leases and lets exclusively unto lessee for the purpose of investigating exploring prospecting, drilling and operating for and producing oil and gas including gas, water, 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 out of, treat process store and transport said minerals, the

following described land in Montezuma County, Colorado including Carbon Dioxide Gas

TOWNSHIP 36 NORTH, RANGE 17 WEST

Sec. 18: W/2 NE/4; E/2 NW/4; W/2 SE/4, Lot 4 & SE/4 SW/4

The Lessors agree that all of the bonus and delay rentals are to be paid to Sallie Hutchinson, widow. SH FLH

TOWNSHIP 37 NORTH, RANGE 17 WEST

Sec. 28: N/2 NW/4

For the purpose of calculating, the rental payments hereinafter provided for said land is estimated to comprise 400.82 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 5 years 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 royalty to be paid by lessee are (a) on oil, and on other liquid hydrocarbons saved at the well 14.5% of that produced and saved from said land same to be delivered at the wells or 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 therefrom the market value at the mouth of the well of 14.5% of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 14.5% 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 either before or after production thereof from this date or before 60 days 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 hereunder 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 not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities but 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 same 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 unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$400.82 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the First National Bank

at P.O. Drawer A, Cortez, Colorado 81321 which bank, or any successor thereof shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, the lessor shall make provision for another acceptable method of payment or tender, and any depository change is 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 lessor or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment but which is erroneous in whole or in part as to parties amounts or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made provided however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with all instruments as are necessary to enable lessee to make proper payment

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 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 operations on 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 therefrom 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 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 with no cessation of more than 60 consecutive days. 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 deduction, 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 lessor 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, out 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 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 such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or 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 with said covenant 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, nor shall this lease be terminated 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 less interest in the oil or gas in all or any part of said land than the entire 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 if any, covered by this lease, bears to the whole and undivided fee simple estate therein. 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 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 from all obligations expressed or implied of this agreement as to acreage so surrendered and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. This lease is subject to an agreement between the parties, dated July 17, 1981, which is incorporated herein by reference, as if set out in full. Further, this lease may not be assigned by either party without including the terms of this agreement.

Executed the day and year first above written

Sallie Hutchinson, a widow; Floyd L. Hutchinson, a married man, dealing

herein with his sole and separate property

29 South Madison Avenue of Cortez, Colorado 81321

(Post Office Address)

herein called lessor (whether one or more) and STEVENS OIL COMPANY, P.O. Box 2203, Roswell, New Mexico 88201

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 contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, water, 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

Colorado

\*Including Carbon Dioxide Gas

following described land in Montezuma County, ~~Montezuma~~ to-wit:

TOWNSHIP 36 NORTH, RANGE 17 WEST

Sec. 18: W $\frac{1}{2}$ N $\frac{1}{2}$ E $\frac{1}{2}$ ; E $\frac{1}{2}$ N $\frac{1}{2}$ W $\frac{1}{2}$ ; W $\frac{1}{2}$ S $\frac{1}{2}$ E $\frac{1}{2}$ ;

Lot 4 & SE $\frac{1}{4}$ SW $\frac{1}{4}$

TOWNSHIP 37 NORTH, RANGE 17 WEST

Sec. 28: N $\frac{1}{2}$ N $\frac{1}{2}$ W $\frac{1}{2}$

The Lessors agree that all of the bonus and delay rentals are to be paid to Sallie Hutchinson, a widow.

*SH* *FLH*  
SH FLH

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 400.82 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 5 years 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, 14.5% of that produced and saved from said land same to be delivered at the wells or 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 product therefrom, the market value at the mouth of the well of 14.5% of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 14.5% 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, either before or after production therefrom, then on or before 90 days 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 not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. 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, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 400.82 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the First National Bank

at P.O. Drawer A, Cortez, Colorado 81321

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is 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 lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

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 DEPARTMENT OF ENERGY 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 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 therefrom 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 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 with no cessation of more than 60 consecutive days. 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 lessor, 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 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 such assignment, 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 lessor's rights under the warranty, if this lease covers a less 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, if any, covered by this lease bears to the whole and undivided fee simple estate therein. 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 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 he shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. The term "oil and/or gas" as used herein shall also include CO<sub>2</sub>.

13. This instrument is subject to paragraph 13 contained on the reverse side hereof.

Executed the day and year first above written

*Floyd L. Hutchinson*

*Sallie Hutchinson*

cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. By Lessor's execution hereof, Lessor consents to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency and it shall not be necessary for Lessor to execute any further instruments.

STATE OF ~~NEW MEXICO~~ COLORADO  
 County of ~~San Juan~~ La Plata INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)  
 The foregoing instrument was acknowledged before me this 2nd day of August  
 19 83 by Sallie Hutchinson and Floyd L. Hutchinson  
 My Commission expires MY COMMISSION EXPIRES 10-16-86  
 Notary Public [Signature]

VL  
 VLJ  
 TE  
 TEJ

STATE OF Colorado  
 County of La Plata INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)  
 The foregoing instrument was acknowledged before me this 2nd day of August  
 19 83 by \_\_\_\_\_  
 My Commission expires \_\_\_\_\_, 19\_\_\_\_\_  
 Notary Public \_\_\_\_\_

No. 367747  
 OIL AND GAS LEASE  
 NEW MEXICO  
 FROM  
Floyd L. Hutchinson  
Sallie Hutchinson  
 TO  
Stewart Oil Co.  
 Date \_\_\_\_\_, 19\_\_\_\_\_  
 Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
 No. of Acres \_\_\_\_\_  
 County, New Mexico \_\_\_\_\_  
 Term \_\_\_\_\_  
 STATE OF NEW MEXICO Charles  
 COUNTY OF Montezuma  
 I hereby certify that this instrument was filed for  
 record on the \_\_\_\_\_ day of AUG 16 1983  
 A D, 19\_\_\_\_, at 10:10 o'clock A m, and  
 was duly recorded in Book 554 at Page 235  
 of the Records of said County.  
Jean DeBartoli  
 County Clerk  
 By ELV. C. CO. PL. Deputy.

STATE OF NEW MEXICO  
 County of \_\_\_\_\_ CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)  
 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 \_\_\_\_\_  
 County of \_\_\_\_\_ CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

DONALD G. STEVENS, d/b/a STEVENS OIL COMPANY, a sole proprietorship owned by Donald G. Stevens and Mary Irene Stevens, his wife, P. O. Box 2203, Roswell, New Mexico 88201, hereinafter called "Assignors", for and in consideration of Ten and other cash dollars, the receipt of which is hereby acknowledged, do hereby grant, assign and convey to DONALD B. ANDERSON, of Denver, Colorado, hereinafter called "Assignee", the entire interest and title in and to the following described oil, gas and CO2 lease covering lands in Montezuma County Colorado:

Oil, Gas and CO2 Lease dated July 17, 1981, recorded in Book 529, Page 241 and renewal lease dated July 17, 1981, recorded in Book 554, Page 235 of the records of Montezuma County, Colorado, from Sallie Hutchinson and Floyd L. Hutchinson, as Lessors, to Stevens Oil Company as Lessee, covering:

TOWNSHIP 36 NORTH, RANGE 17 WEST, NMPM  
Section 18: W/2NE/4; E/2NW/4; W/2SE/4; Lot 4 & SE/4SW/4

TOWNSHIP 37 NORTH, RANGE 17 WEST, NMPM  
Section 28: N/2NW/4

together with the rights incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

Assignors hereby except and reserve a payment out of production (hereinafter called "Production Payment") equal to \$25,000.00 per acre for the number of net acres assigned hereby, the same to be paid solely out of 4.25% of all of the oil, gas and carbon dioxide which may be produced, saved and marketed from the above described lands under the terms of said lease or any extensions or renewals thereof. In any event, this production payment will terminate when 95% of the estimated recoverable reserves have been produced. If there is any disagreement as to when this 95% cut-off point has been reached, the production payment holder will appoint a petroleum engineer and the producer will appoint a petroleum engineer to reach an agreement, but if they are unable to do so, the two engineers will appoint a third independent petroleum engineer to determine a solution. There shall be no personal liability or obligation on the part of Assignee to pay said production payment, or any part thereof, in cash, it being understood and agreed that said production payment is to be paid solely out of the above described share of the oil, gas and carbon dioxide which may be produced, saved and marketed from the land described hereinabove, or the proceeds of said production. Assignor shall be responsible for Assignor's proportionate part of all taxes and all other assessments levied upon, against, or measured by production of oil, gas and carbon dioxide from said lands but only the net amount received by Assignor shall be credited upon and against said production payment. Oil and gas used in the operation and development of said lands shall be deducted before computing said production payment. No change in the ownership of said production payment, or any part thereof or interest therein, shall be binding upon Assignee until such time as Assignee shall have been furnished with either the original, a certified copy or an acceptable photostatic copy of the recorded instrument or instruments effecting such change in ownership.

In the event the above described lease covers less than the full and undivided fee simple estate in the lands described therein, or in the event the title of Assignors thereunder should fail in whole or in part, then the amount of the production payment per acre reserved by Assignors shall be proportionately reduced.

Assignee is hereby granted the right and power, from time to time, to pool or combine said reserved production payment, or any part or horizon thereof, with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or CO2. Pooling pursuant to this authority shall be effected in accordance with the pooling provisions contained in the oil, gas and CO2 lease hereby assigned.

Assignors covenant with and warrant to Assignee that the above described lease is free and clear of all encumbrances made by Assignors and that they will warrant and defend the same to Assignees against the lawful claims and demands of all persons claiming by, through or under Assignors, but against none other.

WITNESS our hands this 19<sup>th</sup> day of August, 1983.

STEVENS OIL COMPANY

*[Handwritten signature]*

*[Handwritten initials]*

COUNTY OF Chaves

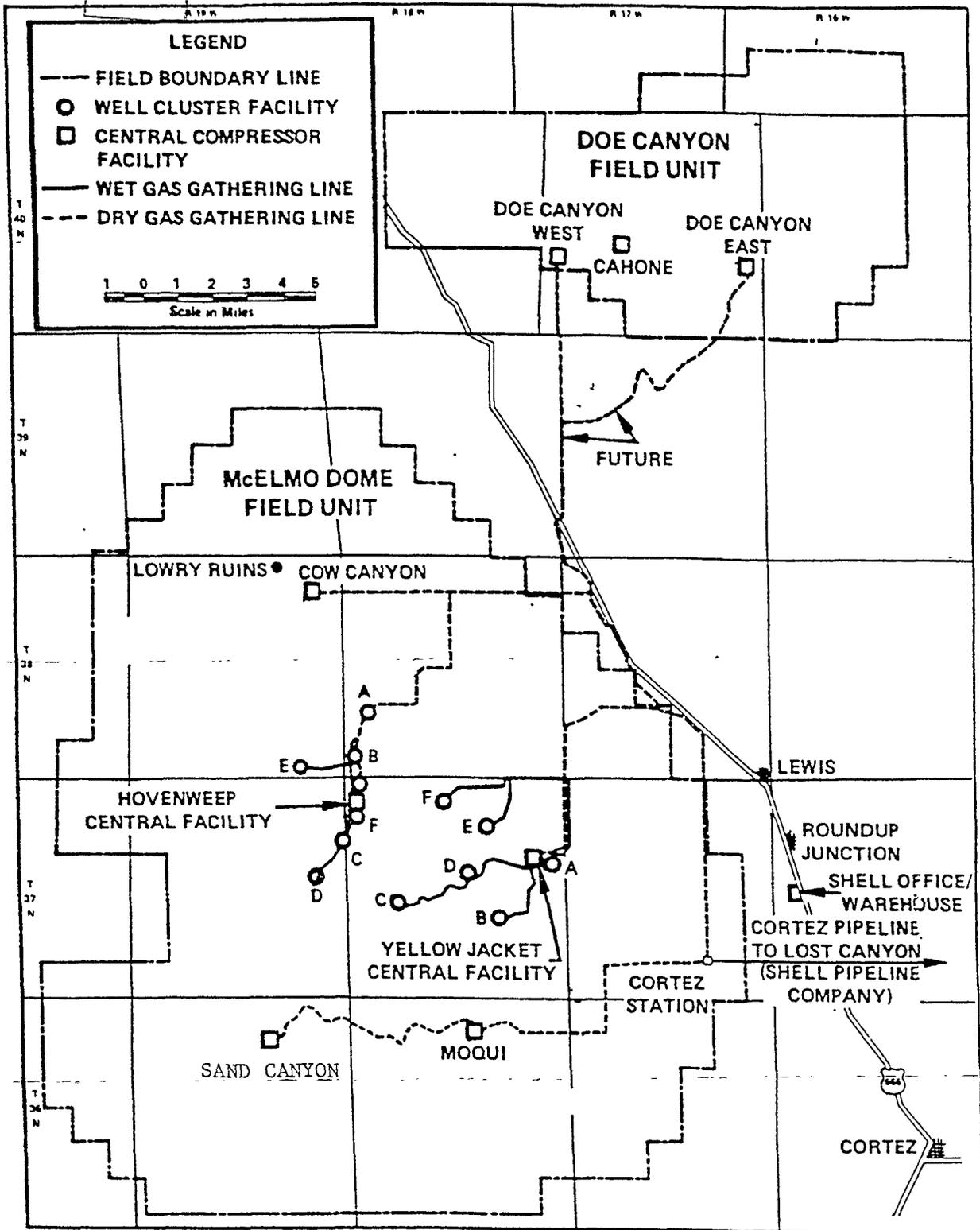
Before me, the undersigned, a Notary Public, within and for said County and State, on this 19th day of August, 1983, personally appeared Donald G. Stevens and Mary Irene Stevens and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

Charles J. Welsh  
Notary Public

My Commission Expires:

October 17, 1984





DOLORRES COUNTY

R18W

R17W

R16W

R15W

