Supplemental Agreement to Future Interest Lease (Form 3100-11a)

Form 3100-11a
(October 1984)

Serial Number NM-A 57393 TX
Effective Date current date

Supplemental Agreement to Lease

This supplemental agreement between the UNITED STATES OF AMERICA, as lessor, and Seymour S. Smith, as prospective lessee, has an effective date of current date, and remains in effect until September 4, 1989, at which time the future interest oil and gas lease, serialized as NM-A 57393 TX, will become effective in its entirety.

This supplemental agreement constitutes a condition to the lease. Compliance with the terms and conditions of this agreement is a prerequisite for continued entitlement to the prospective lease. In the event of any non-compliance which continues for 30 days, this supplemental agreement shall be subject to cancellation. Notwithstanding such cancellation and subject to continued availability of the land for leasing, the defaulting party may reapply for the lease and enter into a new supplemental agreement without penalty.

As part of the consideration for issuance of the lease and as a supplemental thereto, the lessee hereby agrees:

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Sec. 1: Rentals and Royalties - To pay rentals and royalties on the land described in the lease, until the lease becomes effective, in the amount or value of production removed or sold from the land as follows:

(a) $1.00 per acre or fraction thereof if the land described in the lease is wholly outside the known geological structure of a producing oil or gas field.

(b) $2.00 per acre or fraction thereof beginning with the first year after all or part of the land described in the lease is included in a known geological structure, and for each year thereafter, prior to a discovery of oil or gas on the leased land.

Annual rental shall not be prorated for the year or years in which the lease becomes effective or the year that production is obtained.

Sec. 2: Royalties on Production - When the interval from the date that production is obtained to the date when the oil and gas rights vest to the United States, Royalty Rates shall be in accordance with 43 CFR 3111.3-4(c), and CFR 3120.8-2.

Where the United States owns only a fractional future mineral interest in the leased lands, royalty on production shall be payable only on the mineral interest that will vest to the United States.

Sec. 3: Minimum Royalty - Minimum royalty shall be due for any year of this agreement after discovery in which royalty payments aggregate less than $2.00 per acre or fraction thereof. Lessee shall pay such difference at the end of each year of this agreement.

Sec. 4: Cooperative, Communitization, or Unit Plan - If the land covered by this supplemental agreement is committed to an approved cooperative, communitization, or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to the land under this agreement. However, annual rental shall continue to be due at the rate of $2.00 per acre or fraction thereof for those lands not within a participating area of a unit or a producing communitization or cooperative agreement.

*NOTE: In accordance with the policy directive issued March 20, 1985, the requirement that rental and royalty is due prior to the vesting of the mineral interests in the Government is now waived.

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Sec. 5: Transfer of Oil and Gas Rights - If, prior to the vesting of the oil and gas rights to the United States, the future interest lessee transfers all or part of the lessee's present oil and gas interest, if any, such lessee shall file in accordance with the regulations under 43 CFR 3106, an assignment of the future interest lease of the same type and proportion as the transfer of the present interest.

/s/ Seymour S. Smith
Signature of Prospective Lessee

____
Title

Date of Signature
Date

THE UNITED STATES OF AMERICA BY Authorized Officer
(Signing Officer)

______________________ current
(Title) (Date)

EFFECTIVE DATE OF AGREEMENT current