

Brian L. Lasley, RLP

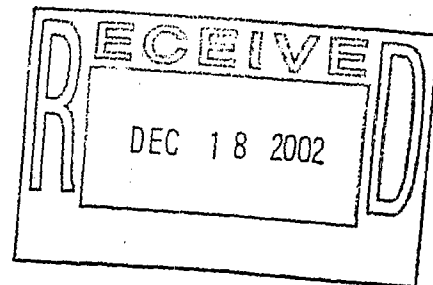
Original to: Rob B

303 West Wall Street, Suite 802, Midland, TX 79701; P.O. Box 2133, Midland, TX 79702-2133

December 16, 2002

CERTIFIED MAIL NO. 7002 2410 0000 0232 9066  
RETURN RECEIPT REQUIRED

Mr. Tim Gum  
District 3 Supervisor  
New Mexico Oil Conservation Division  
1301 West Grand Avenue  
Artesia, NM 88210



RE: **Vandiver Com No. 1**  
Township 18 South, Range 26 East, N.M.P.M.  
Section 18: Lot 4 and SE/4 SW/4 (S/2 SW/4)  
Containing 80.0 acres, more or less  
Eddy County, New Mexico

Dear Mr. Gum,

Enclosed for your review and approval is a New Mexico Oil Conservation Division Form C-104A Change of Operator Form. Please be advised we have not included on the form, as required, the signature of previous Operator. An explanation is as follows:

This well located in Lot 4 of the captioned lands produced out of the Morrow Formation was unitized in 1972 covering the S/2 of said Section. Apparently due to economical reasons, the operator of record being Yates Petroleum Corporation abandoned this well in 1999. The last production was in June, 1999 producing 24 MCF in all of 1999, 1,316 MCF in all of 1998 and 2,252 in all of 1997. The Oil and Gas Leases covering the 80.0 acres have expired under their terms due to non-production and they are not being held by production from any other wells. Mr. Trainer has acquired 100% of the Working Interest in the subject lands by virtue of the enclosed Oil and Gas Leases whereas the leased lands encompass the well site of the Vandiver No. 1 Well.

Mr. Trainer feels the Operator of record will refuse to sign the enclosed C-104A form. Mr. Trainer also believes the Operator of record forfeited their rights by inactivity, subject to their responsibility to the State of New Mexico to bring said well up to standard. With respect to the Oil Conservation Division's time and energy, it is Mr. Trainer's intention to obtain the Operating Rights by appointment from the Oil Conservation Division and assume all responsibilities of Operator in this well.

For your review, please find enclosed, along with Form C-104A, a copy of an ownership verification prepared by Russell H. Wickman; a lease schedule and copies of all of the Oil and Gas Leases and an Assignment from Russell H. Wickman to C. W. Trainer et al. Please contact me at 915-683-8319 if you should have any questions or concerns.

Very truly yours;

A handwritten signature in dark ink, appearing to read "Brian L. Lasley".

Brian L. Lasley, RLP  
Landman

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13270 Exhibit No. 2

Submitted by:

YATES PETROLEUM CORPORATION

Hearing Date: July 8, 2004

CC: Yates Petroleum Corporation; David Brooks, Attorney

THIS AGREEMENT made this 19th day of August 2002 between  
Sandra Wernli, P.O. Box 157, Coupland, Texas 78615

of \_\_\_\_\_  
(Post Office Address)

**... lessee:**

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein 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, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, **Eddy** treat, process, store and transport said minerals, the following described land in \_\_\_\_\_ County, New Mexico, to-wit:

Township 18 South, Range 26 East, N.M.P.M.  
Section 18: Lot 4 and SE/4SW/4 (S/2SW/4)



Said land is estimated to comprise 78.61 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 Three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, three sixteenths (3/16) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of three sixteenths (3/16) of the gas used.

provided that on gas sold on or off the premises, the royalties shall be three-sixteenths (3/16) 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 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 shut-in royalty equal to \$1.00 per net acre of lessor's gas 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 shall 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. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of 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 or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

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, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proportion unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. 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 net oil or gas acreage 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 at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. 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 their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, 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, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. 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 royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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 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 to apply royalties and shut-in royalties payable 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 and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, 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 or his 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 shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Social Security No. 1151-74-5164

Sandra Wernli

PO Box 10547  
Midland TX 79702

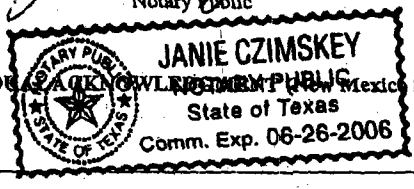
STATE OF Texas  
County of Williamson

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on August 29, 2002  
by Sandra Wernli

My Commission expires 6/26/06, 19\_\_

*Janie Czimskey*  
Notary Public



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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public

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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public

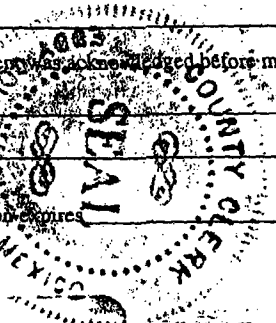
STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public



**OIL AND GAS LEASE  
NEW MEXICO**

FROM \_\_\_\_\_  
TO \_\_\_\_\_

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

Term \_\_\_\_\_

STATE OF NEW MEXICO  
COUNTY OF \_\_\_\_\_

I hereby certify that this instrument was filed for record on \_\_\_\_\_  
the \_\_\_\_\_ day of \_\_\_\_\_, A.D. 19\_\_ at \_\_\_\_\_ o'clock \_\_\_\_\_ m., and \_\_\_\_\_  
was duly recorded in Book \_\_\_\_\_ at page \_\_\_\_\_  
RECEPTION NO: 0210479 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 09/26/2002 9:14 AM  
BOOK 0473 PAGE 0083  
JEAN BLENDEN, COUNTY CLERK

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

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_ Notary Public

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

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_ Notary Public

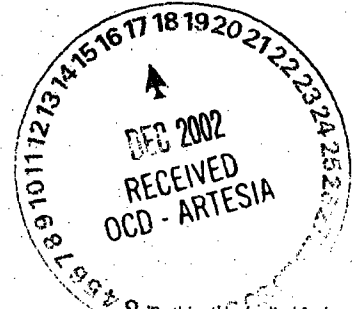
## OIL &amp; GAS LEASE

THIS AGREEMENT made this 19th day of August 2002 between  
Fred Marosko, 7601 Fireoak, Austin, Texas 78759

of \_\_\_\_\_  
 (Post Office Address)

herein called lessor (whether one or more) and Russell H. Wickman, lessee:  
 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein 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, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in \_\_\_\_\_ County, New Mexico, to-wit:

Township 18 South, Range 26 East, N.M.P.M.  
Section 18: Lot 4 and SE/4SW/4 (S/2SW/4)



Said land is estimated to comprise 78.61 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 Three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, three-sixteenths (3/16) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of three-sixteenths (3/16) of the gas used, provided that on gas sold on or off the premises, the royalties shall be three-sixteenths (3/16) 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 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 shut-in royalty equal to \$1.00 per net acre of lessor's gas 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 shall 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. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of 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 or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

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, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. 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 net oil or gas acreage 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 at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. 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 their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, 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, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. 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 royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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 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 to apply royalties and shut-in royalties payable 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 and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, 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 or his 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 shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Fred Marosko

Social Security No. 462-58-0085

Russell H. Wickman  
 PO Box 10047  
 Midland TX 79702

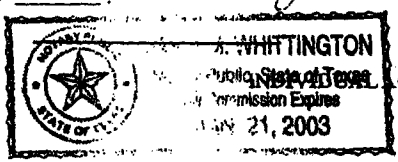
STATE OF Texas  
County of Travis

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on September 02  
02 by Fred Marosko

My Commission expires 01-21-03, 19\_\_

Jamie M. Whittington  
Notary Public



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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public

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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public

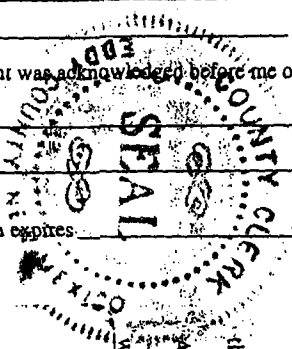
STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_

Notary Public



STATE OF NEW MEXICO  
COUNTY OF \_\_\_\_\_  
I hereby certify that this instrument was filed for record on  
the \_\_\_\_\_ day of \_\_\_\_\_  
A. D. 19\_\_ at \_\_\_\_\_ o'clock \_\_\_\_\_ m., and  
was duly recorded in Book \_\_\_\_\_ at page \_\_\_\_\_  
RECEPTION NO: 0210478 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 09/26/2002 9:12 AM  
BOOK 0473 PAGE 0081  
JEAN BLENDEN, COUNTY CLERK

No. \_\_\_\_\_  
OIL AND GAS LEASE  
NEW MEXICO  
FROM \_\_\_\_\_  
TO \_\_\_\_\_  
Date \_\_\_\_\_, 19\_\_  
Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_ County, New Mexico  
Term \_\_\_\_\_  
I hereby certify that this instrument was filed for record on

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

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_ Notary Public

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

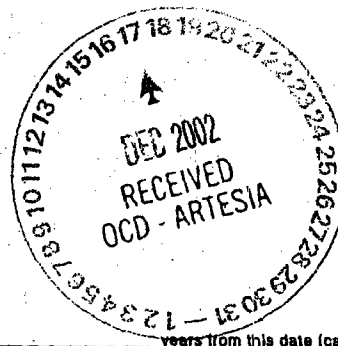
CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_ Notary Public

## OIL &amp; GAS LEASE

THIS AGREEMENT made this 19th day of August 2002 betweenFrances Pfluger Dikemanc/o P.O. Box 56, Coupland, Texas 78615of \_\_\_\_\_  
(Post Office Address)herein called lessor (whether one or more) and Russell H. Wickman

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, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, real, process, store and transport said minerals, the following described land in Eddy County, New Mexico, to-wit:

Township 18 South, Range 26 East, N.M.P.M.Section 18: Lot 4 and SE/4SW/4 (S/2SW/4)Said land is estimated to comprise 78.61 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 Three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, three-sixteenths (3/16) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of three-sixteenths (3/16) of the gas used,

provided that on gas sold on or off the premises, the royalties shall be three-sixteenths (3/16) 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 herewith, but gas 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 shut-in royalty equal to \$1.00 per net acre of lessor's gas 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 shall 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. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of 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 or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

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, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. 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 net oil or gas acreage 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 at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. 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 their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, 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, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. 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 royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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 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 to apply royalties and shut-in royalties payable 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 and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, 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 or his 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 shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Frances Pfluger Dikeman  
Frances Pfluger Dikeman

Social Security No.

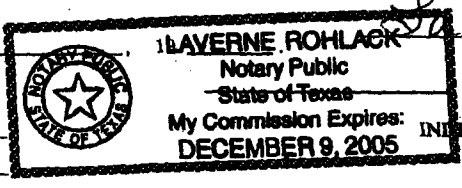
467-16-3880

1455 E. H. WICKMAN  
PO Box 10047  
Midland TX 79702

STATE OF Texas  
County of Williamson

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on September 06  
2002 by Frances Pfluger Dikeman  
My Commission expires 12-9-05



Laverne Rohlack  
Notary Public

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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_  
My Commission expires \_\_\_\_\_, 19\_\_\_\_  
Notary Public

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

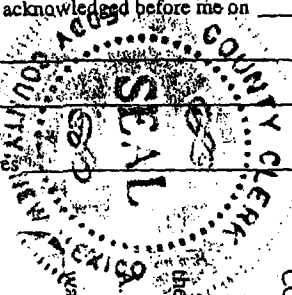
INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_  
My Commission expires \_\_\_\_\_, 19\_\_\_\_  
Notary Public

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

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_  
My Commission expires \_\_\_\_\_, 19\_\_\_\_  
Notary Public



STATE OF NEW MEXICO  
COUNTY OF \_\_\_\_\_  
I hereby certify that this instrument was filed for record on  
the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ at \_\_\_\_\_ o'clock \_\_\_\_\_ m., and  
was duly recorded in Book \_\_\_\_\_ at date \_\_\_\_\_  
RECEPTION NO: 0210480 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 09/26/2002 9:14 AM  
BOOK 0473 PAGE 0085  
JEAN BLENDEN, COUNTY CLERK

No. \_\_\_\_\_  
OIL AND GAS LEASE  
NEW MEXICO  
FROM \_\_\_\_\_  
TO \_\_\_\_\_  
Date \_\_\_\_\_, 19\_\_\_\_  
Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
County, New Mexico  
Term \_\_\_\_\_

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

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_  
Notary Public

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

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_\_\_  
by \_\_\_\_\_ as, \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.  
My Commission Expires: \_\_\_\_\_  
Notary Public



## OIL &amp; GAS LEASE

THIS AGREEMENT made this 19th day of August 2002 betweenC.W. Pfluger, Jr., P.O. Box 56, Coupland, Texas 78615of \_\_\_\_\_  
(Post Office Address)herein called lessor (whether one or more) and Russell H. Wickman, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein 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, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in \_\_\_\_\_ County, New Mexico, to-wit:

Township 18 South, Range 26 East, N.M.P.M.  
Section 18: Lot 4 and SE/4SW/4 (S/2SW/4)

Said land is estimated to comprise 78.61 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 Three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, three sixteenths (3/16) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance three sixteenths (3/16) produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of three sixteenths (3/16) of the gas used, provided that on gas sold on or off the premises, the royalties shall be three sixteenths (3/16) 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 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 shut-in royalty equal to \$1.00 per net acre of lessor's gas 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 shall 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. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of 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 or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made. If lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

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, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. 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 net oil or gas acreage 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 at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 90 days thereafter. 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 their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, 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, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. 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 royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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 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 in 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 to apply royalties and shut-in royalties payable 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 and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, 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 or his 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 shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

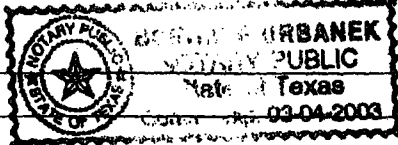
C.W. Pfluger, Jr.Social Security No. 451-52-6396

Russell H. Wickman  
P.O. Box 1004791  
Midland, TX 79701



STATE OF Texas  
County Williamson

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)



This instrument was acknowledged before me on Sept. 6, 2002  
19 by C.W. Pfluger, Jr.

My Commission expires 3-4-2003, 19           

Bonnie J. Urbanek  
Notary Public

STATE OF             
County of           

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on             
19            by           

My Commission expires           , 19           

Notary Public

STATE OF             
County of           

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on             
19            by           

My Commission expires           , 19           

Notary Public

STATE OF             
County of           

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on             
19            by           

My Commission expires           , 19           

Notary Public

OIL AND GAS LEASE  
NEW MEXICO

FROM

TO

Date           , 19           

Section           , Township           , Range           

No. of Acres            County, New Mexico

Term           

STATE OF NEW MEXICO

COUNTY OF           

I hereby certify that this instrument was filed for record on

the            day of           , A.D., 19            at            o'clock            m., and

A.D., 19            at            o'clock            m., and

RECEPTION NO: 0211428 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 10/21/2002 8:57 AM  
BOOK 0475 PAGE 1211  
JEAN BLENDEN, COUNTY CLERK

STATE OF             
County of           

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on           , 19           

by            as            a            corporation

On behalf of said corporation  
My Commission Expires           

Notary Public

STATE OF             
County of           

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on           , 19           

by            as            a            corporation

of            on behalf of said corporation.

My Commission Expires:           

Notary Public

# ASSIGNMENT AND CONVEYANCE



STATE OF NEW MEXICO §  
COUNTY OF CHAVES §

For adequate consideration, the receipt and sufficiency of which is hereby acknowledged, **Russell H. Wickman** ("Assignor"), grants, sells, assigns, and conveys, to **C.W. Trainer**, whose address is P.O. Box 754, Midland, Texas 79702, and **The Gross Family Limited Partnership**, whose address is Box 358, Roswell, New Mexico 88201 (collectively, "Assignee"), in equal shares, all of Assignor's interest in and to the oil and gas leases (the "Leases") described on Exhibit "A", which is attached to and made a part of this Assignment and Conveyance (this "Assignment") for all purposes, subject to the overriding royalty interest reserved herein.

This Assignment shall include (i) all rights, title, and interests of Assignor in, to, and under the Leases, including any renewals, extensions, or ratifications thereof, (ii) all rights, title, and interests of Assignor in and to the oil and gas leasehold estates and other interests in the lands described on Exhibit "A" (the "Lands"), and (iii) all rights, responsibilities, liabilities, duties and obligations of the original lessee under the Leases.

Assignor excepts from this Assignment and reserves to himself an overriding royalty interest of 2.25% of 8/8, payable out of all oil, gas and associated hydrocarbons produced, saved and sold from the Lands. In addition, Assignor hereby grants, assigns, and conveys to Michael Banschbach an overriding royalty interest of 1.00% of 8/8, so that the reserved overriding royalty interest will be owned as follows:

Russell H. Wickman	1.25 % of 8/8
P.O. Box 10047	
Midland, Texas 79702	

Michael Banschbach	1.00 % of 8/8
505 N. Big Spring, Suite 504	
Midland, Texas 79701	

The overriding royalty interest shall be subject to proportionate reduction in the event that the Leases cover less than the entire oil, gas and mineral estate in the Lands.

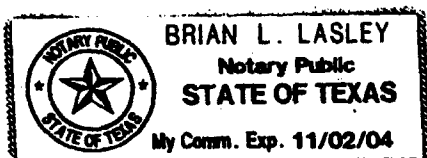
This Assignment and all of the terms, provisions, covenants, obligations, and conditions herein contained shall be binding upon and inure to the benefit of and be enforceable by the Assignor, Assignee and their respective successors, legal representatives and assigns.

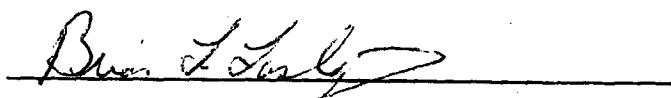
TO HAVE AND TO HOLD Assignor's interest in and to the Leases and Lands unto Assignee, their successors and assigns, forever. Assignor does hereby bind itself, its successors and assigns to warrant and forever defend all and singular Assignor's interest in and to the Leases and Lands unto Assignee, their successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Assignor, but not otherwise.

EXECUTED on this 17th day of September, 2002.

  
**Russell H. Wickman**

This instrument was acknowledged before me on the 17<sup>th</sup> day of September, 2002 by Russell H. Wickman.



  
Notary Public State of Texas  
Printed Name: Brian L. Lasley  
Russell H. Wickman  
Po Box 10047  
Midland TX 79702

**Exhibit "A"**

Attached to and made a part of that certain Assignment and Conveyance dated September 16, 2002 between Russell H. Wickman, Assignor, and C.W. Trainer and The Gross Family Limited Partnership, Assignee.

**LEASES:**

1. Oil & Gas Lease dated August 19, 2002 from C.W. Pfluger, Jr., Lessor, to Russell H. Wickman, Lessee.
2. Oil & Gas Lease dated August 19, 2002 from Frances Pfluger Dikeman, Lessor, to Russell H. Wickman, Lessee.
3. Oil & Gas Lease dated August 19, 2002 from Fred Marosko, Lessor, to Russell H. Wickman, Lessee.
4. Oil & Gas Lease dated August 19, 2002 from Sandra Wernli, Lessor, to Russell H. Wickman, Lessee.

**LANDS:**

Township 18 South, Range 26 East, N.M.P.M.  
Section 18: Lot 4 and SE/4SW/4 (S/2SW/4)  
Eddy County, New Mexico

RECEPTION NO: 0211427 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 10/21/2002 8:56 AM  
BOOK 0475 PAGE 1209 *J Payne*  
JEAN BLENDEY, COUNTY CLERK

