

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 24th day of May, 2005, between
Phillip Billau
5851 Anderson SE, Apt. 7
Albuquerque, NM 87108

Lessor (whether one or more), and Lessee, WITNESSETH: OXY USA, Inc., P.O. Box 4294, Houston, TX 77210-4294

1. Lessor in consideration of Ten and no/100***** Dollars
 (\$ 10.00) in hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, other hydrocarbons and, without restriction to such enumerated minerals, all other minerals whether similar or dissimilar to those particularly specified herein, laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Harding County, New Mexico, to-wit:

LESSOR DOES NOT WARRANT TITLE IN ANY WAY

Southwest Quarter of the Northwest Quarter (SW/4 NW/4)

of Section 19 Township 19-North Range 33-East

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all lands owned or claimed by Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas, other hydrocarbons and all other minerals underlying lakes, rivers, streams, roads, easements and rights-of-way which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 40 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 10 years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. The royalties to be paid by Lessee are: (a) on oil, either one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected, or at the Lessee's option, Lessee may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline or into storage tanks; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold on or off the premises, one-eighth of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so used; and (c) on all other minerals mined and marketed, one-tenth either in kind or in value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty cents (\$0.50) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. If at any time and from time to time, either during or after the primary term of this lease, there is a well on the leased premises or on acreage with which the leased premises or a portion thereof are pooled or unitized, capable of producing oil or gas or both in paying quantities, but which is shut-in for any reason whatsoever before or after production therefrom, this lease shall be extended for a period of 90 days after the date on which (1) said well is shut-in, or (2) all or any part of the leased premises is included in a pooled unit created under the pooling clause hereof or in a unit consisting of interests contributed to a unitized area on which a shut-in well is located, or (3) this lease ceases to be maintained under some other provision hereof, whichever is the later date, and if on or before the expiration of such 90 day period, Lessee pays or tenders to Lessor, or to the credit of Lessor at the depository bank hereinafter designated, a sum (called "shut-in rental") equal to the amount of annual delay rental which would be payable during the first year of the primary term hereof for the acreage then held by Lessee under this lease, it shall continue this lease in force and effect for a period of one year from the commencement of said 90 day period, even though there may be some actual production during such one year period. Upon like payments or tenders annually, on or before the expiration of the last preceding year for which such payment or tender was made, this lease shall continue in force and effect for successive one-year periods, as to the lands covered by and included in the lease at the time the respective payments or tenders are made. Payment or tender of a shut-in rental may be made in currency, draft, check or by electronic funds transfer, at the option of Lessee; and the deposit of such currency, draft or check properly addressed to the Lessor or said bank, in any post office, or the electronic transfer of such funds to said bank shall be deemed payment as herein provided. If such payments are so made or tendered, it shall be considered for all purposes that oil and/or gas is being produced in paying quantities from the leased premises. Notwithstanding any other provision to the contrary herein, this lease shall not terminate because of a failure properly or timely to pay or tender a shut-in rental unless Lessor shall have given Lessee written notice of such failure properly or timely to pay or tender a shut-in rental and Lessee thereafter shall have failed for a period of 30 days after receipt of such notice to pay or tender such payment (in the proper amount together with liquidated damages for a late or improper payment in the amount of One Hundred (\$100.00) Dollars. The amount of such shut-in royalty payment shall be reduced proportionately as provided in paragraph 11 hereof if Lessor owns an interest in said land less than the entire fee simple estate, and shall be further reduced in the proportion that the amount of surface acreage out of this lease included in any pooled unit upon which such gas and/or gas condensate well is situated bears to the entire surface acreage contained in such pooled unit as provided in paragraph 6 hereof.

4. If operations for drilling are not commenced on said land as hereinafter provided, on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in

Bank of Forty and no/100***** Dollars
 (\$ 40.00) (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor) the sum of

(\$ 40.00), (herein called rental), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment of rental herein referred to may be made in currency, draft, check, or by electronic funds transfer at the option of the Lessee; and the deposit of such currency, draft or check, properly addressed to the Lessor or said bank, in any post office, or the electronic transfer of said funds to said bank on or before the rental payment date, shall be deemed payment as herein provided. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default; for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or piece of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

If Lessee shall, on or before any rental date, make a bona fide attempt to pay or deposit rental to a Lessor entitled thereto under this lease according to Lessee's records or to a Lessor who, prior to such attempted payment or deposit, has given Lessee notice, in accordance with the terms of this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in the wrong depository, paid to persons other than the parties entitled thereto as shown by Lessee's records, in any incorrect amount, or otherwise), Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected within 30 days after receipt by Lessee of written notice from such Lessor of such error accompanied by any documents and other evidence necessary to enable Lessee to make proper payment.

5. Should any well drilled on the above described land or on acreage pooled therewith during the primary term before production is obtained be a dry hole, or should production on said land or on acreage pooled therewith be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land or on acreage pooled therewith on or before the first rental paying date next succeeding the completion of a dry hole or the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 4 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil or gas on said land or on acreage pooled therewith, Lessee should drill a dry hole thereon, or if after discovery of oil or gas on said land or on acreage pooled therewith, the production should cease during the last year of said primary term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, Lessee is conducting operations for drilling a new well on said land or on acreage pooled therewith or reworking an old well thereon, or, if, after the expiration of the primary term, production on this lease or on acreage pooled therewith shall cease, this lease nevertheless shall continue as long as said operations continue or additional operations are had on this lease or on acreage pooled therewith, which additional operations shall be deemed to be had where not more than sixty (60) days elapse between abandonment of operations on one well and commencement of operations on another well, and if production is discovered, this lease shall continue as long thereafter as oil, gas or other mineral is produced on said land or on acreage pooled therewith, and as long as additional operations are had thereon. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

6. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more states, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or

portions thereof into other units. Lessee shall execute in writing and place of record on instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereof of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production on is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

7. Lessee also 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. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligation as to the acreage surrendered. 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 pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and a full necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among 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. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee.

11. If, during the term of this lease, oil or gas or other hydrocarbons or other mineral is discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas, other hydrocarbons, or other mineral and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

12. 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, either in whole or in part, and in 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 in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the rentals and royalties to be paid Lessor shall be reduced proportionately.

(Notwithstanding any provision of this lease apparently to the contrary, the term "gas" as used herein shall be construed to cover and include carbon dioxide gas and helium gas as well as gas of the hydrocarbon kind.)

This agreement shall be binding on each of the above named parties who execute the same, regardless of whether it is executed by any of the other parties.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Witness of Signatures

Phillip Billau
Signature
Address: 5851 Anderson SE, Apt. 7
Albuquerque, NM 87108

STATE OF New Mexico
COUNTY OF Bernalillo

The foregoing instrument was acknowledged before me this 13 day of July, 2007, by Phillip Billau
My Commission expires: 1/3/2007
NM

ACKNOWLEDGMENT OF NATURAL PERSON



OFFICIAL SEAL
PHILLIP BILLAU
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires: 1/3/2007
Notary Public in and for Bernalillo County.

ACKNOWLEDGMENT OF CORPORATION

STATE OF _____
COUNTY OF _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ as _____ on behalf of _____, a corporation.
My Commission expires: _____
Notary Public in and for _____

Post-it® Fax Note 7671		Date	7/6	# of pages	2
To	Mark Hodge	From	Deag Ferguson		
Cn/Dept.		Cn.			
Phone #		Phone #			
Fax #		Fax #			

No. _____
Oil, Gas
and Mineral Lease

FROM _____ TO _____
Date _____ No. Acres _____ Term _____
This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock _____, Page _____ of the _____
By _____ County Clerk _____ Deputy _____
When recorded return to _____