

**INVALID LEASES TAKEN BY SYNERGY OPERATING CO.
SURFACE OWNERS ONLY
DO NOT OWN MINERALS**

DATE MINERALS SEVERED	BOOK / PAGE	SYNERGY LEASE	BOOK / PAGE	LANCE LEASE BOOK / PAGE
1-5-70	706 / 249	JUAN D. MARTINEZ	1413 / 585	
11/15/63	568 / 78	TIMOTHY GORDON	1413 / 587	
2/12/60	444 / 280	TROY L. POPE	1412 / 505	
1/4/95	1194 / 518	LINDA D. SCOTT	1412 / 506	1412 / 613
9/7/71	706 / 577	ROGER A. MARTINEZ	1412 / 504	1414 / 69
9/7/71	697 / 77	CECELIA STOVER	1413 / 209	1414 / 69
7/12/73	746 / 432	DON HERRERA	1413 / 207	1414 / 69
9/15/75	759 / 50	DANIEL FRIAS, JR.	1414 / 292	1338 / 278
1/26/76	873 / 406	DAVID S. DUKE	1414 / 454	

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13537 Exhibit No. 10
Submitted by:
LANCE OIL & GAS CO., INC.
Hearing Date: August 25, 2005

JOHN M. NEED (Joint Tenants)

WILLIAM EDWARD BROWNING, husband and wife

and ELIZABETH R. GARCIA, husband and wife

San Juan

County, New Mexico

SURFACE RIGHTS ONLY:

Number 18 of the GARDEN ACRES SUBDIVISION to the City of
Albuquerque, New Mexico, as shown on the plat thereof filed in
the Office of the County Clerk of San Juan County, New Mexico,
on October 15, 1969.

Subject to restrictions, reservations and easements of record.

with warranty covenants. WITNESS OUR hands and seals this 5th day of January, 19 70

(Seal) Bob M. Browning (Seal)

(Seal) Gwyneth H. Browning (Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO
County of San Juan ss.

Instrument was acknowledged before me this 5th day of January, 19 70,
by BOB M. BROWNING and GWYNETH H. BROWNING, husband and wife
(Name or Names of Person or Persons Acknowledging)

Frankie L. Smith
Notary Public

February 13, 1971

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO
County of San Juan ss.

Instrument was acknowledged before me this 5th day of January, 19 70

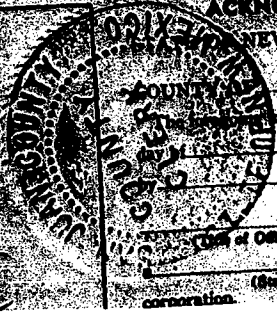
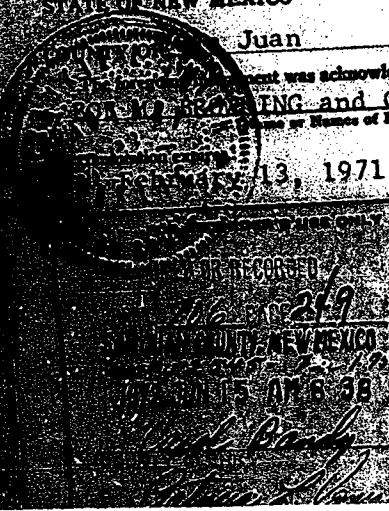
(Name of Officer)

of

(Name of Corporation Acknowledging)

(State of Incorporation)

corporation, on behalf of said corporation.



OIL AND GAS LEASE

AGREEMENT made effective this 8th day of JULY 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and SYNERGY OPERATING LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not utilize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

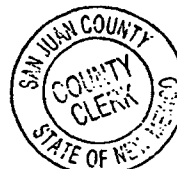
6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of Lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

200512489 07/14/2005 11:53A
1of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANFORD



10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Juan D. Martinez
Juan D. Martinez

Rita V. Martinez
Rita V. Martinez

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 08 day of July, 2005, before me personally appeared Juan D. & Rita V. Martinez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same their free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

STATE OF _____)

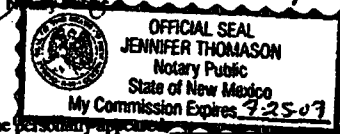
COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public



STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200512489 07/14/2005 11:53A
2of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANSHARDT

EXHIBIT "A"

MARTINEZ JUAN D JR ET UX
P O BOX 2124
ESPANOLA NM, 87532-7532

<i>Property Address</i>	<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
GRAHAM RD FARMINGTON NM, 87401-7401	29	13	22	NE NW	0.4591

Legal: GARDEN ACRES SUBD LOT 18
B.1260 P.561 B.1326
P.325

200512489 07/14/2005 11:53A
3of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

THIS CONTRACT, made in triplicate, this 15th day of November, 1963,
by and between JANIE HARDESTY, a widow

of the first part hereinafter called the Owner, and CHARLES ARCHULETA, a married man
of the second part hereinafter called the Purchaser.

WITNESSETH:

1. That the said Owner, in consideration of the covenants and agreements on the part of the said Purchaser, hereinafter contained, agrees to sell and convey unto the said Purchaser the following real estate situate, lying and being in the County of San Juan and State of New Mexico, to-wit:

The Surface rights of:

That part of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section Twenty-Two (22), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., described as follows:

BEGINNING at a point which is 878 feet South and 550 feet East of the Northwest corner of said Section 22;

THENCE East 184 feet;
THENCE South 160 feet;
THENCE West 184 feet;
THENCE North 160 feet to the point of beginning.

STATE OF NEW MEXICO, County of San Juan S.S.

I hereby certify this instrument was filed for record on the 15 day of November, 1963, at 10:00 o'clock A. M., and duly recorded in book 568 page 78 of the Records of said County.

Bonnie Lane
Probate Clerk and ex-officio Register
John H. Biggs
Dec 17 3 11 PM

2. The Owner undertakes and agrees, upon full performance of the conditions, covenants and agreements to be performed by the said Purchaser, to make, execute and deliver to said Purchaser, a good and sufficient warranty deed for the above real estate.

3. In consideration of the premises, the said Purchaser agrees to buy said real estate and to pay said Owner therefor the sum of Six Thousand Five hundred and no/100 ----- Dollars (\$6,500.00), lawful money of the United States of America, which sum is to be paid as follows, to-wit: One Thousand and no/100 ----- Dollars (\$1,000.00), cash in hand paid, the receipt of which is hereby acknowledged, and the balance of \$ 5,500.00 shall be payable as follows, to-wit:

Payable at the rate of \$50.00 per month including interest at 6% per annum with the first payment due and payable January 1, 1964, interest on first payment shall be from November 15, 1963, and on the first day of each and every month thereafter until the principal and interest is paid in full.

The balance may be paid at any time, however, without penalty at the option of the purchaser.

In case of default of payment, the seller may repossess property after 30 days written notice to the purchaser, and all moneys received to the point of repossession shall be considered liquidated damages and the purchaser shall have no further obligation.

If not otherwise specified the above-mentioned payments shall continue until the full purchase price and interest on deferred payment shall have been fully paid. All of said unpaid balance of the purchase price shall bear interest at the rate of six (6) per centum (6 %) per annum from date, payable monthly.

Further, it is agreed that if this Real Estate Contract is placed by the Owner in the hands of an attorney upon default by the Purchaser in the payment of any monies due hereunder for the purpose of mailing of written demand, pursuant to the termination provision of Paragraph 8 hereof, the Purchaser shall pay, in addition to the payment of all other sums required hereunder, the sum of \$25.00 to cover the costs, expenses, and fees involved in such action.

4. Said Purchaser agrees to keep the buildings upon said real estate insured against the hazards covered by fire and extended coverage insurance in an insurance company satisfactory to said Owner in the sum of \$ 5,000.00 for the benefit of said Owner as his interest may appear, and deliver said insurance policy to said Owner.

5. Said Owner undertakes and agrees to pay all taxes up to and including second half of 1963, together with all other liens and charges now against said real estate, except as herein stated, and said Purchaser agrees to assess said real estate

for taxation to himself for the year 1964, and, thereafter, pay all taxes and assessments and make all street improvements of every kind and nature whatsoever that may hereafter be levied or ordered by lawful authority and which would in the event of failure so to do create a charge against the said real estate. All taxes, assessments, liens, and other charges against said real estate have been prorated to the date hereof, and the Purchaser has assumed the payment of the same for the current year.

OIL AND GAS LEASE

AGREEMENT made effective this 6th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC, hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

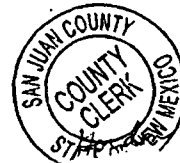


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as altered for
recording.

7/14/05



200512491 07/14/2005 11:53A
1of3 B1413 P587 R 13.50 D 0.00
San Juan County, NM Clerk FRANK HANHARDT



10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. LIMITED TO SEC 22

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Timothy Gordon
Timothy Gordon

Kenneth W. Gordon

ACKNOWLEDGMENTS

STATE OF New Mexico

COUNTY OF San Juan

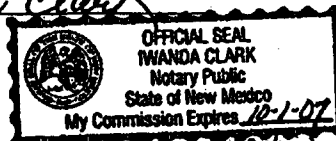
On this 10th day of July, 2005, before me personally appeared Timothy Gordon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same did free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

10-1-2007

Iwanda Clark
Notary Public



STATE OF New Mexico

COUNTY OF San Juan

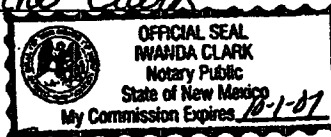
On this 10th day of July, 2005, before me personally appeared Timothy Gordon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same did free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

10-1-2007

Iwanda Clark
Notary Public



STATE OF New Mexico

COUNTY OF San Juan

The foregoing instrument was acknowledged before me this 7th day of July, 2005, by Kenneth W. Gordon of San Juan on behalf of said Timothy Gordon

Witness my hand and seal the day and year last above written.

My Commission Expires:

Patrick Bettale
Notary Public

STATE OF New Mexico

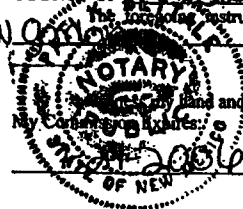
COUNTY OF San Juan

The foregoing instrument was acknowledged before me this 7th day of July, 2005, by Kenneth W. Gordon of San Juan on behalf of said Timothy Gordon

Witness my hand and seal the day and year last above written.

My Commission Expires:

Patrick Bettale
Notary Public



END OF ACKNOWLEDGMENTS

200512491 07/14/2005 11:53A
2of3 B1413 P587 R 13.50 D 0.00
San Juan County, NM Clerk FRANK WARD

EXHIBIT "A"

GORDON TIMOTHY LEE ET AL
408 SPRUCE
FARMINGTON NM, 87401-6634

<i>Property Address</i>	<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
408 E SPRUCE ST FARMINGTON NM, 87401-7401	29	13	22	NW NW	0.45

Legal: BEG AT A PT 878 FT S & 550 FT E
FR NW COR 222913 E 119 FT, S
160 FT, W 119 FT, N 160 FT TO
BEG. B.1269 P.46

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3 of 3 B1413 P587 R 13.50 D 0.00
San Juan County, NM Clerk FRANK HANWART

WARRANTY DEED

Eliza W. Otis, a Widow, for consideration paid, grant S. to
Cleo W. Smith and Willard L. Smith, husband & wife, the following described real estate in
San Juan County, New Mexico:

Lot 2, and South 67 feet of Lot 1, Bluffview Subdivision, according to the amended plat thereof filed February 26, 1959, in the office of the County Clerk and Recorder of San Juan County, New Mexico; together with all and singular the water and water rights, ditch and ditch rights thereto belonging or in anywise appertaining.

Reserving unto the grantor, her heirs and assigns,
all and singular the oil, gas and mineral rights
in and under the said described land.

with warranty covenants.

WITNESS MY hand and seal this 23rd day of February, 1960

(Seal) *Edgar W. Ptas* (Seal)

(Seal) (Seal)

STATE OF NEW MEXICO,

San Juan

**ACKNOWLEDGMENT
INDIVIDUAL**

1874 3rd day of February 1960, before me personally appeared
Elizabeth W. Otis, a widow
described in and who executed the foregoing instrument and acknowledged that she
her free act and deed.
Witness my hand and seal the day and year last above written.
James L. Harper, Notary Public
February 9, 1963

STATE OF NEW MEXICO,

Contents

ACKNOWLEDGMENT
CORPORATION

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known, who being by me duly sworn, did say that he is _____ of _____, a corporation organized under the laws of the State of _____, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal the day and year last above written.

My commission expires NOV 20 1990 Notary Public

STATE OF NEW MEXICO, County of Santa Fe, I hereby certify that this instrument was filed for record on the 8 day of March, 1915 at 8:31 o'clock A. M., and duly recorded in Book 444, page 280 of the Records of Deeds of said county, on this 8 day of March, A.D. 1915.

_____ County Clerk.
 _____ Deputy.

OIL AND GAS LEASE

AGREEMENT made effective this 17th day of June, 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC, hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale; (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not utilize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

200511365 06/27/2005 02:45P
10f3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANNAHDT



10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Troy L. Pope
Troy L. Pope

Pauline Pope
Pauline Pope

ACKNOWLEDGMENTS

STATE OF New Mexico
COUNTY OF San Juan

On this 17th day of June, 2005, before me personally appeared Troy & Pauline Pope
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that

✓ executed same ✓ free act and deed.
Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

STATE OF _____

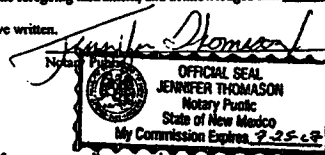
COUNTY OF _____

On this _____ day of _____, 2005, before me personally appeared _____
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that

✓ executed same ✓ free act and deed.
Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public



STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____
of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____
of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511385 06/27/2005 02:45P
2of3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSEN

EXHIBIT "A"

POPE TROY L ET AL
4315 W HOPI
FARMINGTON NM, 87401-7401

<i>Property Address</i>	<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
1403 BLUFFVIEW AVE FARMINGTON NM, 87401-7401	29	13	22	SE NW	0.1941

Legal: BLUFFVIEW-REPLAT B LOT 2B
B.1310 P.196/198

<i>Property Address</i>	<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
816 TAMARACK FARMINGTON NM, 87401-7401	29	13	22	SE NW	0.1941

Legal: BLUFFVIEW-REPLAT B LOT 7B
B.1310 P.196-198

1 000000 000000 0000 000000 000000 000000 000000 000000 000000 000000
200511385 06/27/2005 02:45P
3of3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSEN

WARRANTY DEED

JOYCE G. FORD, personal representative to the Estate of
JACKIE L. JACKSON, aka JACKIE L. FORD, MELTON, DECKER, deceased
for consideration paid, grant s
to GLEND A. BELL, an unmarried woman, and LINDA D. SCOTT,
an unmarried woman, as Joint Tenants
whose address is 507 E. 17th St. Farmington, New Mexico 87401
the following described real estate in San Juan County, New Mexico:

SURFACE RIGHTS IN AN TO:

Lot Eight (8) in Block Two (2) of the Odaffer Subdivision in
the City of Farmington, New Mexico, as shown on the plat of
said Subdivision filed for record in the office of the County
Clerk of San Juan County, New Mexico, on July 10, 1958;

Subject to any and all easements, servitudes, reservations and
restrictions of record as of this date;

Seller conveys all improvements affixed thereto.

with warranty covenants.

Witness hand and seal this 4th day of JAN. 19 95
Carol Bandy (Seal) _____ (Seal)
_____ (Seal) _____ (Seal)

ACKNOWLEDGEMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO)
COUNTY OF San Juan) ss.
This instrument was acknowledged before me on January 4, 19 95
by proof of New Mexico D/L
My commission expires: 9/27/97
(Seal) Rose M. Cortez NOTARY PUBLIC

ACKNOWLEDGEMENT FOR CORPORATION

STATE OF NEW MEXICO)
COUNTY OF _____) ss.
This instrument was acknowledged before me on _____, 19____
by _____ (NAME OF OFFICER)
_____ of _____ (CORPORATION ACKNOWLEDGMENT)
(TITLE OF OFFICER)
a _____ corporation, on behalf of said corporation
(STATE OF INCORPORATION)
My commission expires: _____ NOTARY PUBLIC
(Seal)

FOR RECORDER'S USE ONLY

FILED OR RECORDED
BOOK 1194 PAGE 518
SAN JUAN COUNTY, NEW MEXICO

JAN 04 1995

336 O'Clock P
Carol Bandy
COUNTY CLERK
DEPUTY Carol Bandy
REC. & R.P. OFF. FEB. 7, 1995

OIL AND GAS LEASE

AGREEMENT made effective this 14th day of JUNE 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, L.L.C. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

200511386 06/27/2005 02:45P
1of3 B1412 P506 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANHARDT



10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Linda D. Scott

ACKNOWLEDGMENTS

STATE OF New Mexico

COUNTY OF SAN JUAN

On this 14th day of June, 2005, before me personally appeared Linda D. Scott to me known to be the person described in and who executed the foregoing instrument, and acknowledged that Linda D. Scott executed same as free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: 11/23/2006

Linda Sanders
Notary Public



STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

END OF ACKNOWLEDGMENTS

200511386 06/27/2005 02:45P
2of3 B1412 P506 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANNAHDT

EXHIBIT "A"

SCOTT LINDA D
1433 TORY AVE
FARMINGTON NM, 87401-6754

Property Address

1433 TORY AVE
FARMINGTON NM, 87401-7401

<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
29	13	22	SE NW	0.1381

Legal: ODAFFER LOT 8 02B.1217 P.930
B.1246 P.103



200511386 06/27/2005 02:45P
3of3 B1412 P506 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 4th day of May, 2005, by and between
Joyce G. Ford, personal representative of the Estate of Jackie L. Jackson, a/k/a Jackie L. Ford, deceased whose address is
12 Rd 3435, Aztec, NM 87410-9406, ("Lessor", whether one or more) and
Lance Oil & Gas Company, Inc. whose address is PO Box 70, Kirtland, New Mexico, 87417, ("Lessee").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract

or tracts of land situated in San Juan County, New Mexico described as follows, to-wit:

See Exhibit "A" attached hereto and made a part hereof,



and containing 0.1381 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of (five) 5 years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal one-eighth (1/8th) part of all oil produced and saved from the Premises.

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, one-eighth (1/8th) of the net proceeds realized by Lessee from the sale thereof; provided that Lessee shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.

4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, Gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby warrants and agrees to defend the title to the Premises and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease, shall mean any one or more of all the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

200511493 06/28/2005 01:58P
1of3 B1412 P613 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANFORD

Joyce G. Ford, personal representative of the Estate of Jackie L. Jackson, a/k/a Jackie L. Ford, deceased

STATE OF New Mexico ss.
COUNTY OF San Juan }

UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL

The foregoing instrument was acknowledged before me this 24th day of June, 192005 by

Joyce L Ford

My Commission Expires: 7/10/07



OFFICIAL SEAL
NEDRA ADAMS
NOTARY PUBLIC
STATE OF NEW MEXICO

Nedra Adams

Notary Public, State of New Mexico
Name of Notary Printed Nedra Adams

My Commission Expires: 7/10/07

STATE OF _____ ss.
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-CORPORATE

The foregoing instrument was acknowledged before me this _____ day of _____, 19__ by

_____ as _____

of _____ a _____

corporation, on behalf of the corporation.

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

200511493 06/28/2005 01:58P
2of3 B1412 P613 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSHARDT

STATE OF _____ ss.
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-OTHER

The foregoing instrument was acknowledged before me this _____ day of _____, 19__ by

_____ as _____

on behalf of _____ a _____

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

Exhibit "A"

To that Oil and Gas Lease dated the 4th day of May 2005 between Joyce G. Ford, personal representative of the Estate of Jackie L. Jackson, a/k/a Jackie L. Ford, deceased, Lessor and Lance Oil & Gas Company, Inc. Lessee

Township 29 North, Range 13 West, NMPM

Section 22: That part of the Southeast Quarter of the

Northwest Quarter (SE/4NW/4) of said Section 22, described as follows:

Lot Eight (8) in Block Two (2) in the ODAFFER SUBDIVISION in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the San Juan County Clerk on July 10, 1958.

Containing .1381 acres, more or less
San Juan County, NM

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3of3 B1412 P613 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

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3of3 B1412 P613 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

WARRANTY DEED (Joint Tenants)

R. G. CRAFFER, a single man,

for consideration paid, grant to

to JAMES M. BURRITT

and ROBERT M. BURRITT, husband and wife,

as joint tenants the following described real estate in SAN JUAN County, New Mexico:

THE SURFACE RIGHTS ONLY, IN AND TO:

Lot Seven (7) in Block Three (3) of ODAFFER SUBDIVISION, in the City of Farmington, as shown on the Plat of said Subdivision filed for record July 10, 1958;

TOGETHER WITH all ditch and water rights appurtenant thereto;

SUBJECT TO taxes for the year 1971 and thereafter; mineral reservations and/or conveyances heretofore made; and any and all easements and servitudes, public or private, of whatsoever kind or nature, in existence at the date hereof;

FILED
BOOK 706 PAGE 577
SAN JUAN COUNTY NEW MEXICO
Rec'd 53255
1972 JUL 12 PM 2:52
Carol Bundy
Sandra Townsend



with warranty covenants.

WITNESS my hand and seal this 7th day of September, 19 71

(Seal)

(Seal)

(Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

ss.

The foregoing instrument was acknowledged before me this 10th day of September, 19 71
by R. G. CRAFFER, a single man.

(Name or Names of Person or Persons Acknowledging)

My commission expires:

Notary Public

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO

COUNTY OF _____

ss.

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

(Name of Officer)

(Title of Officer)

(Name of Corporation Acknowledging)

a _____ corporation, on behalf of said corporation. (State of Incorporation)

My commission expires:

Notary Public

OIL AND GAS LEASE

AGREEMENT made effective this 18 day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

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San Juan County, NM Clerk FRANK HANNAHDT



22

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Roger R. Martinez

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

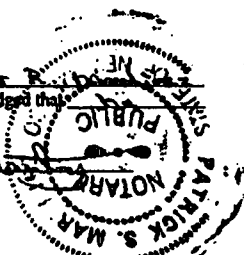
On this 18th day of June, 2005, before me personally appeared Roger R. Martinez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same as free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Sept 27, 2005

Patrick S. Marr
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511384 06/27/2005 02:45P
2of3 B1412 P504 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANNAHDT

EXHIBIT "A"

MARTINEZ ROGER R
1437 YORK
FARMINGTON NM, 87401-7401

Property Address

1437 YORK AVE
FARMINGTON NM,

Township Range Section QtrQtr Acres

29 13 22 SE NW 0.2763

Legal: ODAFFER SUBDIVISION LOTS 7
AND 8 BLOCK 03 B.1283 P.473


200511384 06/27/2005 02:45P
3of3 B1412 P504 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSEN

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 20th day of July, 2005, by and between Emma Lou Duran, a married woman dealing in her sole and separate property, joined pro forma by her husband Johnnie E. Duran, whose address is 706 Deer Dancer Drive, Aztec, New Mexico 87410-2086, ("Lessor", whether one or more) and LANCE OIL & GAS COMPANY, INC., whose address is 1099 18th Street, Suite 1200 Denver, CO 80202, ("Lessee").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract

or tracts of land situated in San Juan County, New Mexico described as follows, to-wit:

Township 29 North, Range 13 West, N.M.P.M.

Section 22: That part of the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of said Section 22, described as follows:

Lots One (1) through Twenty-Two (22), inclusive, in Block One (1); Lots One (2), Two (2), Four (4), Five (5), Six (6), Seven (7), Nine (9), Ten (10), Eleven (11), and Twelve (12) in Block Two (2); Lots One (1) through Twelve (12), inclusive, in Block Three (3); and Lots Two (2), Four (4), Five (5), and Six (6), in Block Four (4), all in the Odessa Subdivision in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the San Juan County Clerk on July 10th, 1958.

and containing 9.3869 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal fifteen percent (15%) part of all oil produced and saved from the Premises.

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, fifteen percent (15%) of the net proceeds realized by Lessee from the sale thereof; provided that Lessor shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.

4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, Gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to include such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby warrants and agrees to defend the title to the Premises and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease, shall mean any one or more of all the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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



Emma Lou Duran
Johnnie E. Duran

200512977 07/21/2005 02:46P
1of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRAN HANSHARDT

STATE OF New Mexico
COUNTY OF San Juan }

UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL

The foregoing instrument was acknowledged before me this 20th day of July, 2005 by

Emma Lou Duran and Johnnie E. Duran

My Commission Expires: June 10, 2006

Notary Public, State of New Mexico

Name of Notary Printed Leila Anne Jones



STATE OF _____
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-CORPORATE

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ ss _____

of _____ s _____

corporation, on behalf of the corporation.

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

STATE OF _____
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-OTHER

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ ss _____

on behalf of _____ s _____

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

200512977 07/21/2005 02:46P
2of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRANK HANSHARDT

WARRANTY DEED (Joint Tenants)

R. G. CHAFFER, a single man,
 _____, for consideration paid, grant &
 to JOSEPH M. HENNESSY
 and ROBERT A. HENNESSY, husband and wife,
 as joint tenants the following described real estate in SAN JUAN County, New Mexico:

THE SURFACE RIGHTS ONLY, IN AND TO:
 Lot Six (6) in Block Four (4) of ODAFFER SUBDIVISION, in the City of Farmington,
 as shown on the Plat of said Subdivision filed for record July 10, 1958;

TOGETHER WITH all ditch and water rights appurtenant thereto;

SUBJECT TO taxes for the year 1971 and thereafter; mineral reservations and/or
 conveyances heretofore made, and any and all easements and servitudes, public
 or private, of whatsoever kind or nature, in existence at the date hereof;

with warranty covenants.

WITNESS my hand and seal this 7th day of September, 19 71.

(Seal)

(Seal)

(Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

ss.

The foregoing instrument was acknowledged before me this 10th day of September, 19 71,
 by R. G. CHAFFER, a single man,
 (Name or Names of Person or Persons Acknowledging)

My commission expires:
 (Seal)

January 11, 1973

[Signature]
 Notary Public

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO

COUNTY OF _____

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____.

by _____ (Name of Officer)

_____ of _____ (Name of Corporation Acknowledging)

_____ corporation, on behalf of said

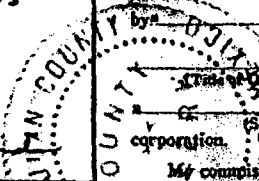
My commission expires: _____ Notary Public

FOR RECORDER'S USE ONLY

FILED OR RECORDED

BOOK 697 PAGE 77
 SAN JUAN COUNTY, NEW MEXICO
Rec-44646 9-11-75
 1971 SEP 30 PM 2:03

Carol Bandy
 COUNTY CLERK
[Signature]
 DEPUTY



OIL AND GAS LEASE

AGREEMENT made effective this 18th day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synex Operating, LLC, hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale; (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of Lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

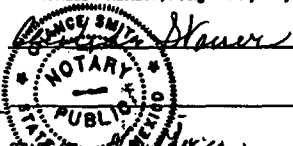


200512113 07/08/2005 03:04P
1of3 B1413 P209 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANNAHROT

YOUR FILE COPY

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.
11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.
12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.



ACKNOWLEDGMENTS

STATE OF NEW MEXICO
COUNTY OF SAN JUAN
On this 28 day of June, 2005, before me personally appeared Cecilia Stover
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that
executed same free act and deed.
Witness my hand and seal the day and year last above written.
My Commission Expires: 12/12/2007
Notary Public

STATE OF _____)
COUNTY OF _____)
On this _____ day of _____, 2005, before me personally appeared _____
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that
executed same free act and deed.
Witness my hand and seal the day and year last above written.
My Commission Expires: _____
Notary Public

STATE OF _____)
COUNTY OF _____)
The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____
of _____ on behalf of said _____
Witness my hand and seal the day and year last above written.
My Commission Expires: _____
Notary Public

STATE OF _____)
COUNTY OF _____)
The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____
of _____ on behalf of said _____
Witness my hand and seal the day and year last above written.
My Commission Expires: _____
Notary Public

END OF ACKNOWLEDGMENTS

200512113 07/08/2005 03:04P
2013 B1413 P209 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSEN

EXHIBIT "A"

STOVER HOWARD R ET UX
1436 YORK AVE
FARMINGTON NM, 87401-6755

Property Address
1436 YORK AVE
FARMINGTON NM, 87401-7401

<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
29	13	22	SE NW	0.1392

Legal: ODAFFER LOT 6 04B.710 P.140

Property Address
1432 YORK AVE
FARMINGTON NM, 87401-7401

<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
29	13	22	SE NW	0.1489

Legal: ODAFFER LOT 5 04ALSO S 4 FT
LOT 4 04B.1124 P.750

200512113 07/08/2005 03:04P
3of3 B1413 P209 R 13.00 D 0.00
San Juan County, NM Clerk FROM HANDED

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 20th day of July, 2005, by and between Emma Lou Duran, a married woman dealing in her sole and separate property, joined pro forma by her husband Johnnie E. Duran, whose address is 706 Deer Dancer Drive, Aztec, New Mexico 87410-2086, ("Lessor," whether one or more) and LANCE OIL & GAS COMPANY, INC., whose address is 1099 18th Street, Suite 1200 Denver, CO 80202, ("Lessee").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract

or tracts of land situated in San Juan County, New Mexico described as follows, to-wit:

Township 29 North Range 13 West N.M.P.M.

Section 22: That part of the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$) of said Section 22, described as follows:

Lots One (1) through Twenty-Two (22), inclusive, in Block One (1); Lots One (2), Two (2), Four (4), Five (5), Six (6), Seven (7), Nine (9), Ten (10), Eleven (11), and Twelve (12) in Block Two (2); Lots One (1) through Twelve (12), inclusive, in Block Three (3); and Lots Two (2), Four (4), Five (5), and Six (6), in Block Four (4), all in the Odafer Subdivision in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the San Juan County Clerk on July 10th, 1958.

and containing 9.3869 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal fifteen percent (15%) part of all oil produced and saved from the Premises.

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, fifteen percent (15%) of the net proceeds realized by Lessee from the sale thereof; provided that Lessee shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.

4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, Gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to include such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby warrants and agrees to defend the title to the Premises and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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



Emma Lou Duran
Johnnie E. Duran

200512977 07/21/2005 02:46P
1of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRAN HANWARDT

STATE OF New Mexico ss.

UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL

COUNTY OF San Juan }

The foregoing instrument was acknowledged before me this 20th day of July, 2005 by

Emma Lou Duran and Johnnie E. Duran

My Commission Expires: June 10, 2006

Notary Public, State of New Mexico

Name of Notary Printed Leila Anne Jones



STATE OF _____ ss.

UNIFORM ACKNOWLEDGEMENT-CORPORATE

COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ as _____

of _____ a _____

corporation, on behalf of the corporation.

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

STATE OF _____ ss.

UNIFORM ACKNOWLEDGEMENT-OTHER

COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ as _____

on behalf of _____ a _____

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

200512977 07/21/2005 02:46P
2of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRANK HANHARDT

WARRANTY DEED (Joint Tenants)

R. G. ODAFFER, a single man,

for consideration paid, grant

JAMES M. DURRETT

DOROTHY M. DURRETT, husband and wife,

as joint tenants the following described real estate in the City of Farmington, San Juan County, New Mexico

THE SURFACE RIGHTS, ONLY, IN AND TO:

Lot Eleven (11) in Block One (1) of the ODAFFER SUBDIVISION, as shown on the Plat of said Subdivision filed for record July 10, 1958; TOGETHER with all ditch and water rights appurtenant thereto;

SUBJECT TO taxes for the year 1973 and thereafter; mineral reservations and/or conveyances heretofore made; and any and all easements and servitudes, public or private, of whatsoever kind or nature, in existence at the date hereof;

with warranty covenants.

WITNESS my hand and seal this

12th day of

July, 1973

(Seal)

R. G. Odaffer (Seal)

(Seal)

(Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

STATE OF NEW MEXICO

SAN JUAN

ss.

July, 1973

and instrument was acknowledged before me this

12th day of

July, 1973

R. G. Odaffer, a single man.

(Name or Names of Person or Persons Acknowledging)

Don T. Gabe

Notary Public

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO

ss.

COUNTY OF

The foregoing instrument was acknowledged before me this

day of

(Name of Officer)

(Name of Corporation Acknowledging)

corporation, on behalf of said

Notary Public

OIL AND GAS LEASE

AGREEMENT made effective this 20th day of JUNE 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County

and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale; (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200512111 07/08/2005 03:04P
1of3 B1413 P207 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANAWALT

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Don R Herrera

Priscilla M. Herrera

Don R Herrera

Priscilla M. Herrera

ACKNOWLEDGMENTS

NEW MEXICO

COUNTY OF SAN JUAN

On this 20th day of June, 2005, before me personally appeared Don R Herrera and Priscilla M. Herrera known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Rose Stuland
Notary Public

Sept 2nd, 08

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200512111 07/08/2005 03:04P
2of3 B1413 P207 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANNAHOT

EXHIBIT "A"

HERRERA DON R ET UX
809 SYCAMORE ST
FARMINGTON NM, 87401-6669


Property Address

809 SYCAMORE
FARMINGTON NM, 87401-7401

Township Range Section QtrQtr Acres

29 13 22 SE NW 0.1802

Legal: ODAFFER SUB LOT 11 01B.895
P.187


20051211 07/08/2005 03:04P
30f3 B1413 P207 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANHARDT

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 20th day of July, 2005, by and between Emma Lou Duran, a married woman dealing in her sole and separate property, joined pro forma by her husband Johnnie E. Duran, whose address is 706 Deer Dancer Drive, Aztec, New Mexico 87410-2086, ("Lessor", whether one or more) and LANCE OIL & GAS COMPANY, INC., whose address is 1099 18th Street, Suite 1200 Denver, CO 80202, ("Lessee").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract

or tracts of land situated in San Juan County, New Mexico described as follows, to-wit:

Township 29 North, Range 13 West, N.M.P.M.

Section 22: That part of the Southeast Quarter of the Northwest Quarter (SE¹/₄ NW¹/₄) of said Section 22, described as follows:

Lots One (1) through Twenty-Two (22), inclusive, in Block One (1); Lots One (2), Two (2), Four (4), Five (5), Six (6), Seven (7), Nine (9), Ten (10), Eleven (11), and Twelve (12) in Block Two (2); Lots One (1) through Twelve (12), inclusive, in Block Three (3); and Lots Two (2), Four (4), Five (5), and Six (6), in Block Four (4), all in the Odessa Subdivision in the City of Farmington, as shown on the Plat of said Subdivision filed for record in the Office of the San Juan County Clerk on July 10th, 1958.

and containing 9.3869 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made hereunder, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal fifteen percent (15%) part of all oil produced and saved from the Premises.

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, fifteen percent (15%) of the net proceeds realized by Lessee from the sale thereof; provided that Lessee shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.

4. Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, Gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessor's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to include such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations on a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations on a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby warrants and agrees to defend the title to the Premises and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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



Emma Lou Duran
Johnnie E. Duran
200512977 07/21/2005 02:46P
1of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRANK HANHARDT

STATE OF New Mexico ss.
COUNTY OF San Juan }

UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL

The foregoing instrument was acknowledged before me this 20th day of July, 2005 by

Emma Lou Duran and Johnnie E. Duran

My Commission Expires: July 10, 2006

Notary Public, State of New Mexico

Name of Notary Printed Leila Anne Jones



STATE OF _____ ss.
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-CORPORATE

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ ss. _____

of _____ s. _____

corporation, on behalf of the corporation.

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

STATE OF _____ ss.
COUNTY OF _____ }

UNIFORM ACKNOWLEDGEMENT-OTHER

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by

_____ ss. _____

on behalf of _____ s. _____

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

200512977 07/21/2005 02:46P
2of2 B1414 P69 R 11.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

THIS DOCUMENT CONTAINS INFORMATION OF UNCLASSIFIED CONDITION

THE NEW VARIABLE: MORTON A SINGLE MAN

being part of the letter called the Owner, and JIM S. WALTER AND LAURA WALTER HIS WIFE

1991年6月24日

in full consideration of the covenants and agreements on the part of the said Purchaser, hereinafter to be set forth, to sell and convey unto the said Purchaser the following real estate, situate, lying and being in the County of **SAN JUAN** and State of New Mexico, to-wit:

THE SURFACE RIGHTS ONLY IN AND TO:

lots (10)ten and (11)eleven of the SHADY GROVE SUBDIVISION
No. 3 to the City of Farmington, according to the plat thereof
filed for record in the Office of the County Clerk of
San Juan County on June 4, 1975.

Subject to easements, reservations and restrictions of record.

Together with all water and ditch rights appurtenant thereto.

FILED OR RECORDED
BOOK 759 PAGE 50
SAN JUAN COUNTY, NEW MEXICO
DEC 10 1975
AT 9:55 O'CLOCK A. M.
Edward Ruiz
COUNTY CLERK
812-2220 Ln
DEPUTY

A circular ink stamp from the County Clerk of San Juan County, New Mexico. The text "COUNTY CLERK" is in the center, "SAN JUAN COUNTY" is around the bottom inner edge, and "STATE OF NEW MEXICO" is around the top inner edge.

2. The Owner undertakes and agrees, upon full performance of the conditions, covenants and agreements to be performed by the said Purchaser, to make, execute and deliver to said Purchaser, a good and sufficient warranty deed for the above real estate.

3. In consideration of the premises, the said Purchaser agrees to buy said real estate and to pay said Owner therefor the sum of EIGHT THOUSAND DOLLARS Dollars (\$ 8,000.00)

lawful money of the United States of America, which sum is to be paid as follows, to-wit: **FOUR HUNDRED DOLLARS**
DOWN PAYMENT Dollars (\$ **400.00**), cash in hand
 paid, the receipt of which is hereby acknowledged, and the balance of \$ **7,600.00** shall be payable as follows, to-wit:

Payable at the rate of \$100.00 per month, including interest commencing on or before the 5th. day of January, 1976 and continuing on or before the 5th. day of each month thereafter until fully paid. Purchasers may prepay any or all of the unpaid purchase price at any time without penalty of unearned interest.

TITLE INSURANCE SHALL BE PAID BY THE PURCHASER.

Monthly payments of \$10.00 for 12 months. Total price of \$120.00. Cash price of \$100.00. Finance charge of \$20.00. Interest on deferred payments at the rate of **EIGHT** percent per annum. **Monthly installments**

the hands of an attorney upon default by the
written demand, pursuant to the terms of
other sums required hereunder, as one of

© 2001 American Dental Association. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or by any information storage and retrieval system, without permission in writing from the American Dental Association. For more information, contact the American Dental Association, 501 North Dearborn Street, Chicago, IL 60610-4400. Tel: 312/462-6000. Fax: 312/462-6001. E-mail: info@ada.org. Web: www.ada.org. Printed in the USA.

St. John's and the other two churches in the diocese of San Juan in the Virgin Islands and the St. John's Episcopal Church in Bermuda. And the

...and the fact that the government is not doing enough to protect the environment, which would be a first step in the right direction.

OIL AND GAS LEASE

AGREEMENT made effective this 14th day of JULY 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and **SYNERGY OPERATING LLC** hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of Lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises, and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



SIGN & RETURN

200513200 07/25/2005 02:51P
1of3 B1414 P292 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANHARDT

THU JUL 28 2005

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Daniel Frias Jr.
DANIEL FRIAS JR.

Blanca E. Frias
BLANCA E. FRIAS

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this 14th day of JULY, 2005, before me personally appeared Daniel Frias Jr. to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this 14th day of JULY, 2005, before me personally appeared DANIEL FRIAS JR. AND BLANCA E. FRIAS to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same joint free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2005, by _____ of _____

_____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2005, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200513200 07/25/2005 02:51P
2of3 B1414 P292 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

FRIAS DANIEL AND BLANCA
820 E SPRUCE
FARMINGTON NM, 87401-7401

Property Address

820 E SPRUCE ST
FARMINGTON NM, 87401-7401

Township Range Section QtrQtr Acres

29 13 22 NE NW 0.1405

Legal: SHADY GROVE SUB NO.3 LOT
10 B.1309 P.859 B.1379 P.232



200513200 07/25/2005 02:51P
3of3 B1414 P292 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANNAHDT

PU Lease 5/yr Term
Producers 88 Rev
NM622.413

200204114 03/07/2002 02:42P
1of2 B1338 P278 R 7.00 D 3.00
San Juan County, NM Clerk FRANK HANHARDT

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this 12th day of November, 2001, by and between

Mary Martin, widow of Veral V. Martin

Whose post office address is P O Box 10026 E. Rocky Hill Rd, Dewey, AZ 86327

hereinafter called Lessor (whether

one or more) and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10 & more) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan, State of New Mexico, described as follows, to-wit:

Township 29 North - Range 13 West, N.M.P.M.

Section 22: Shady Grove Subdivision No 3: All of the Shady Grove Subdivision No. 3, in the City of Farmington, as shown on the plat filed of record on June 4, 1975

and containing 1.8657 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete chain of record title from Lessor, then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to include such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only in the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder 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 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.

13. 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.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinafter named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

Mary C. Martin
Mary Martin
4091563962
SSS:

47750000



200204114 03/07/2002 02:42P
2of2 B1338 P278 R 7.00 D 3.00
San Juan County, NM Clerk FRAN HANHARDT

STATE OF Arizona)
COUNTY OF Yavapai)§

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 7th day of November, 2001, personally appeared Mary C. Martin
to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires:

April 5, 2002



OFFICIAL SEAL
NATALIE BRYAN
Notary Public - State of Arizona
YAVAPAI COUNTY
My Comm. Expires Apr. 5, 2002

Natalie Bryan
Address: 5200 E. Valley Rd
Prescott Valley AZ 86314

STATE OF _____)
COUNTY OF _____)§

Acknowledgment - Partnership/Trust

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2001, personally appeared _____
as _____ of _____
to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ duly executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires: _____

Address: _____

STATE OF _____)
COUNTY OF _____)§

Acknowledgment - Corporation

BEFORE ME, the undersigned authority, this day personally appeared _____
to me personally known who being by me duly sworn did say that he is the _____
of _____ and that the seal affixed to said instrument is the corporate seal of said corporation
and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors who
acknowledge said instrument to be the free act and deed of said corporation.

Sworn to and subscribed before me, this _____ day of _____, 2001.

My commission Expires: _____

406

WARRANTY DEED (Joint Tenants)

WOODROW W. KILLEN and MILDRED KILLEN, husband and wife
 _____, for consideration paid, grant
 to E. V. ISBELL and DOROTHY ISBELL, husband and wife

 whose address is 2204 Camino Rio, Farmington, New Mexico 87401

XXX

XXXXXXXXXX

as joint tenants the following described real estate in the City of Farmington, San Juan County, New Mexico:

THE SURFACE RIGHTS, ONLY, IN AND TO:

Tract Nos. Five (5) and Six (6) of the FRYAR TRACT, as shown on the Plat of said Tract filed for record December 9, 1955, more particularly described as follows:

BEGINNING 1,078 feet South and 588 feet East of the Northwest corner of Section Twenty-Two (22), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M.;

THENCE South 235 feet;

THENCE East 54 feet;

THENCE North 235 feet;

THENCE West 54 feet to the point of beginning;

SUBJECT TO taxes for the year 1976 and thereafter; and any and all easements and servitudes, public or private, of whatsoever kind or nature, in existence at the date hereof;

OUR TRACT 61

with warranty covenants.

WITNESS OUR hand S and seals this 26th day of January, 1976

(Seal) Woodrow W. Killen (Seal)

(Seal) Mildred Killen (Seal)

ACKNOWLEDGMENT FOR NATURAL PERSONS

JOSE F. TUCKER
 STATE OF NEW MEXICO
 NOTARY
 COUNTY OF SAN JUAN

ss.

The foregoing instrument was acknowledged before me this 26th day of January, 1976

by WOODROW W. KILLEN and MILDRED KILLEN, husband and wife.

(Name or Names of Person or Persons Acknowledging)

My commission expires:
 (Seal) December 15, 1976.

Notary Public

FOR RECORDER'S USE ONLY

FILED OR RECORDED
 BOOK 873 PAGE 406
 SAN JUAN COUNTY, NEW MEXICO
 JAN. 4, 1980
 AT 8:00 O'CLOCK A.M.
 County Clerk
 Deputy
 73769 Ju 30

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO

ss.

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____, 19____

by _____ (Name of Officer)

_____ (Title of Officer) of _____ (Name of Corporation Acknowledging)

_____ corporation, on behalf of said corporation. (State of Incorporation)

My commission expires: _____

Notary Public

OIL AND GAS LEASE

AGREEMENT made effective this 5th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for Lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale; (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

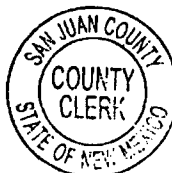
5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200513362 07/26/2005 03:25P
1of3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Gail S. Duke

David S. Duke

ACKNOWLEDGMENTS

STATE OF New Mexico

COUNTY OF Dona Ana

On this 5th day of July, 2005, before me personally appeared Gail S. Duke to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public

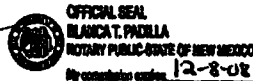


STATE OF New Mexico

COUNTY OF Dona Ana

On this 5th day of July, 2005, before me personally appeared David S. Duke to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



STATE OF New Mexico

COUNTY OF Dona Ana

The foregoing instrument was acknowledged before me this 5th day of July, 2005, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public

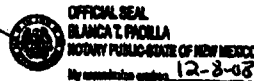


STATE OF New Mexico

COUNTY OF Dona Ana

The foregoing instrument was acknowledged before me this 5th day of July, 2005, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



END OF ACKNOWLEDGMENTS

200513362 07/26/2005 03:25P
20f3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSHARDT

EXHIBIT "A"

DUKE DAVID S AND GAIL S
446 EASY LIVING DR
LAS CRUCES NM, 88005-8005

Property Address

409 E SPRUCE ST
FARMINGTON NM, 87401-0000

<i>Township</i>	<i>Range</i>	<i>Section</i>	<i>QtrQtr</i>	<i>Acres</i>
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29	13	22	NW NW	0.1457
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Legal: FRYAR TRACT LOT 5 B.1328
P.348



200513362 07/26/2005 03:25P
3of3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clark FRANK HANSHARDT