

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION Division

IN THE MATTER OF THE APPLICATION
OF SAMSON RESOURCES COMPANY,
KAISER-FRANCIS OIL COMPANY AND
MEWBOURNE OIL COMPANY FOR
CANCELLATION OF A DRILLING PERMIT
AND APPROVAL OF A DRILLING PERMIT,
LEA COUNTY, NEW MEXICO,

CASE NO. 13492

and

IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 13493

CHESAPEAKE'S LIST OF LAND EXHIBITS

Chesapeake Operating, Inc. and Chesapeake Permian, L.P. ("Chesapeake")
hereby gives notice it may introduce the following exhibits at trial.

1. Assignment of Oil and Gas Lease #V0-7063-1 Rubicon to Chesapeake Exploration Limited Partnership.
2. Assignment of Oil and Gas Lease V0-7063-2 CELP to Chesapeake Permian, L.P.
3. APD KF "4" State Well (Approved 6/3/05) and change of BHL.
4. Electronic Form Application for Permit to Drill.
5. Map of proposed spacing unit with ownership summary.
6. Pooling Application
7. Certificate of Mailing
8. Chronology of Events
9. Letter dated March 9, 2005 well proposal KF 4 State No.1 with AFE

10. Letter dated March 30, 2005 from Samson attempting to withdraw election
11. Letter dated April 4, 2005 from Chesapeake to Samson Resources enclosing Joint Operating Agreement.
12. Letter dated April 5, 2005 from Samson Resources to Chesapeake restating attempt to withdraw election.
13. Surface Damage Release and Easement
14. Affidavit of Clabe Pearson
15. Letter from Patrick H. Lyons, Commissioner of Public Lands

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

John R. Cooney
Earl E. DeBrine, Jr.
Paul T. Halajian
Post Office Box 2168
Bank of America Centre
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800

and

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

ATTORNEYS FOR CHESAPEAKE OPERATING, INC.
AND CHESAPEAKE PERMIAN, L.P.

03298

From Lease Number

V0-7063-0

To Lease Number

V0-7063-1

NEW MEXICO STATE LAND OFFICE ASSIGNMENT OF OIL AND GAS LEASE

L 66753

FOR VALUE RECEIVED, Rubicon Oil & Gas I, LP OGRID No. 212466

Name (include name of spouse, if any, or type of business entity)

("Assignor" whether one or more), assigns and conveys to: Chesapeake Exploration Limited Partnership / Rubicon Oil & Gas I, LP OGRID No. 232039
209238 / 212466

("Assignee" whether one or more), whose mailing address is P. O. Box 18496 400 W. Illinois, Suite 1130
Oklahoma City, OK 73154 Midland, TX 79701

the entire interest and title in and to Oil and Gas Lease No. V0-7063 ("the Lease") initially made by the New Mexico State Land Office to:
Rubicon Oil & Gas I, LP, dated May 1, 2004 insofar as the Lease covers the following land in Lea County, New Mexico:

T. 21 South - R. 35 East

Section 4: SW/4

together with the rights incident thereto, and improvements thereon, if any.

Assignee assumes and agrees to perform all duties and obligations to the Commissioner of Public Lands including payment of rentals and royalties, and to do such other acts as are required by the Lease, to the same extent and in the same manner as if the provisions of the Lease were fully set out herein.

Assignor warrants the leasehold estate herein assigned, except as to any valid overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal record, and covenants to the Assignee and the Commissioner of Public Lands that the leasehold estate assigned is valid, and that all rentals and royalties due under the Lease have been paid in full, and that all other Lease obligations presently due have been fully performed.

EXECUTED this 6th day of December, 2004.

By:

W. Brett Smith
W. Brett Smith, Vice President of Rubicon Oil & Gas, LLC,
General Partner

ACKNOWLEDGMENT

ASSIGNEE'S ACCEPTANCE

The undersigned Assignee named above hereby agrees to be bound by all of the terms, covenants, and conditions of the Lease and this Assignment and shall succeed to the rights and benefits under the Lease.

EXECUTED this 27th day of December, 2004.

Chesapeake Exploration Limited Partnership by
Chesapeake Operating, Inc., General Partner

By:

Henry J. Hood
Henry J. Hood, Senior Vice President Land and Legal

The undersigned Assignee named above hereby agrees to be bound by all of the terms, covenants, and conditions of the Lease and this Assignment and shall succeed to the rights and benefits under the Lease.

EXECUTED this 27th day of December, 2004.

Rubicon Oil & Gas I, LP by Rubicon Oil & Gas, LLC, General Partner

By:

W. Brett Smith
W. Brett Smith, Vice President

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing Assignment and Assignee's Acceptance was acknowledged before me this 6th day of December, 2004, by W. Brett Smith, Vice President.

My commission expires:



VICKI J. DILLARD
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 08-07-2005

Notary Public

WILSON PROSPECT

BOOK 1362 PAGE 516

NM 7930002-000

BEFORE THE
OIL CONSERVATION DIVISION
Case # 13492&13493 Exhibit No.
Submitted By:
Chesapeake Inc.
Hearing Date: August 22, 2005

STATE OF OKLAHOMA
COUNTY OF OKLAHOMA

The foregoing Assignee's Acceptance was acknowledged before me this _____ day of _____, 2004, by Henry J. Hood, Senior Vice President-Land and Legal.

My commission expires: _____



APPROVAL OF THE COMMISSIONER

Office of the Commissioner of Public Lands
Santa Fe, New Mexico

I hereby certify that this Assignment was filed in my office on JAN 11 2005, and was approved by me

and shall be effective as to the State of New Mexico on JAN 14 2005

Patricia A. Lyons /CB
COMMISSIONER OF PUBLIC LANDS

INSTRUCTIONS AND INFORMATION

1. ANNUAL RENTAL: The annual rental for the land in this Assignment is 1.00 per acre. The rental is due _____ and shall be paid to the Commissioner of Public Lands on the anniversary date of the original Lease agreement. The date of this Assignment does not change the annual rental due date. For any Assignment of any Lease initially issued prior to June 15, 1985, the annual rental shall not be less than six dollars (\$6.00). For any Assignment of any Lease initially issued after June 14, 1985, or of any Lease which has been stipulated to the new ten year Lease, the minimum rental is forty dollars (\$40.00).
2. FIXED TEN-YEAR LEASE: This Lease provides for a fixed ten-year term, and for so long as oil or gas is produced in paying quantities. The ten-year period is divided into a primary term of five years, followed by a secondary term of five years. If no production is had during the primary term, the rental for the secondary term is double the rental of the primary term, or equal to the highest prevailing rental rate in the district, whichever is higher. Rentals continue even though production is had.
3. FIXED FIVE-YEAR LEASE: This Lease provides for a fixed five-year term, and for so long as oil and gas is produced in paying quantities. The fixed five-year Lease has no secondary term. Rentals continue even though production is had.
4. FILING: All Assignments must be filed in the State Land Office in triplicate, with original signatures on all three copies, within one hundred days from the date of signing, and must be accompanied by the recording fee.
5. RECORDING FEE: The recording fee for each Assignment is thirty dollars (\$30.00). If, however, the Assignment is filed more than one hundred days from the date of signing, an additional fee of seventy-five dollars (\$75.00) is charged.
6. PERSONAL CHECKS: When an Assignment is accompanied by a personal check, the Commissioner of Public Lands reserves the right to withhold approval of the Assignment until the check is paid.
7. ASSIGNMENT DISAPPROVAL: An Assignment will not be approved when it is made:
 - A. to more than two persons;
 - B. for less than a regular subdivision. "Regular subdivision" means forty acres or a tract described by lot number, which tract may be more or less than forty acres;
 - C. for an undivided interest;
 - D. in the name of a trusteeship, unless the trust document is attached or on file, and not more than two persons are named as trustee;
 - E. after a lis pendens is filed;
 - F. including any change or addition to the language contained in the Assignment form;
 - G. where surety requirements have not been met; or
 - H. where the lease is not in good standing; provided, however, that approval by the Commissioner does not waive any rights or claims the Commissioner may have to rentals, royalties, or other obligations due to the Commissioner. Approval of the assignment by the Commissioner does not constitute a finding by the Commissioner that the lease is in good standing. Assignees must perform their own due diligence.
8. COMPLETE ADDRESS: An Assignment must show the complete post office address of the Assignee.
9. ACKNOWLEDGMENT: An Assignment must be executed before an officer authorized to take acknowledgments of deeds. Persons executing on behalf of a corporation or other business entity must indicate title or authority to execute.
10. MARITAL STATUS: An Assignment must show whether the Assignors are married or single; if married, both husband and wife must sign the Assignment. The Certificates of Acknowledgment must show the marital status of the Assignors.
11. BLANKET ASSIGNMENTS: Must have an Exhibit A attached that includes lease number, original lessee of record, lease issue date, county, and land description. Provide a copy of the original assignment form and the exhibit for every lease.
12. BLANKET ASSIGNMENTS: Will only be approved for record title. All other types of assignments (operating rights, depth limitations, undivided interests, etc.) will be filed as miscellaneous instrument documents for record purposes only.
13. COMMUNICATIONS: All official business, letters and communications must be addressed directly to the Commissioner of Public Lands, Oil, Gas, & Minerals Division.
14. PAYMENT: Make all payments for annual rental, recording, and approval of fees to:

Record & Return To:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154
Attn: Land Administration

COMMISSIONER OF PUBLIC LANDS
P.O. Box 1148
Santa Fe, NM 87504-1148

03298

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAR 21 2005
at 8:22 o'clock A^M
and recorded in Book 1362
Page 516
Melinda Hughes, Lea County Clerk
By Keith Mares Deputy



BOOK 1362 PAGE 518

PARTIAL ASSIGNMENT OF OIL AND GAS LEASES

STATE OF NEW MEXICO)
)
 COUNTY OF LEA) KNOW ALL MEN BY THESE PRESENTS:

For adequate consideration, the receipt and sufficiency of which is hereby acknowledged, RUBICON OIL & GAS I, LP, whose address is 400 W. Illinois, Suite 1130, Midland, Texas 79701 ("Assignor"), subject to the terms set forth herein, does hereby SELL, ASSIGN, TRANSFER and CONVEY unto CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, PO Box 18496, Oklahoma City, Oklahoma 73154 ("Assignee"), an undivided SEVENTY-FIVE PERCENT (75.0%) of Assignor's right, title and interest in and to the oil, gas and/or mineral leases described on Exhibit "A", attached hereto and made a part hereof, together with a similar undivided interest in and to all personal property and equipment located on, or used or obtained in connection with said leases insofar as they cover said lands.

THIS PARTIAL ASSIGNMENT OF OIL AND GAS LEASE IS MADE WITHOUT WARRANTY OF TITLE, EXPRESS OR IMPLIED, EXCEPT THAT ASSIGNOR WARRANTS TITLE TO THE LEASEHOLD INTERESTS HEREIN ASSIGNED AGAINST THE CLAIMS OF ALL PARTIES CLAIMING BY, THROUGH OR UNDER ASSIGNOR, BUT NOT OTHERWISE.

The leasehold interests herein assigned are assigned subject to and shall bear their proportionate part of all outstanding royalty, overriding royalty and other leasehold burdens of record. Such interests are expressly assigned subject to the terms and provisions of the leases described on Exhibit "A" attached hereto and the terms and provisions of the following instruments:

1. Letter Agreement dated March 1, 2002, between Assignor and Liberty Energy Corporation.
2. Letter Agreement dated November 18, 2002, between Assignor, Ted Collins, Jr. and Liberty Energy Corporation.
3. Purchase and Sale Agreement dated July 30, 2003, between Assignor and Chesapeake Exploration Limited Partnership, successor by merger to Concho Resources Inc.

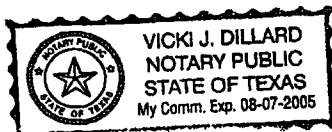
This Partial Assignment of Oil and Gas Leases is executed as of the date of the acknowledgment of Assignor set forth below.

RUBICON OIL & GAS I, LP
 By: Rubicon Oil & Gas, LLC,
 its General Partner

By: 
 W. Brett Smith, Vice President

STATE OF TEXAS)
 COUNTY OF MIDLAND)

This instrument was acknowledged before me this 6th day of December, 2004, by W. Brett Smith, Vice President of Rubicon Oil & Gas, LLC, General Partner of Rubicon Oil & Gas I, LP, a Texas limited partnership, on behalf of said limited partnership.




 Notary Public, State of Texas

WILSON PROSPECT

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NM 7930002 -000

EXHIBIT "A" - To Partial Assignment of Oil and Gas Leases, dated December 6, 2004, by and between Rubicon Oil & Gas I, LP, Assignor, and Chesapeake Exploration Limited Partnership, Assignee

Lease No: NM0048-001-000
SVFed Lease No: V07063
Lessor: State of New Mexico V07063
Lessee: Rubicon Oil & Gas I, LP
Lease Date: 05/01/2004
Gross Acres: 160.0000
Recording Info: Book 1310, Page 67
State: New Mexico
County: Lea
Legal Description: T21S, R35E, Section 4: SW/4, Lea County, New Mexico

Lease No: NM0048-002-000
SVFed Lease No: V07062
Lessor: State of New Mexico V07062
Lessee: Rubicon Oil & Gas I, LP
Lease Date: 05/01/2004
Gross Acres: 310.8000
Recording Info: Book 1307, Page 634
State: New Mexico
County: Lea
Legal Description: T21S, R35E, Section 4: Lots 1 thru 8, Lea County, New Mexico

65549

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

DEC 16 2004

at 11:59 o'clock
and recorded in Book 1346
Page 317
Melinda Hughes, Lea County Clerk
By Kurt Manno Deputy



12/03/2004 03:05:54 PM
Page 1

BOOK 1346 PAGE 318

LEASE NO: V07063 0000

Application No:

OIL AND GAS LEASE
(Discovery Form)

THIS AGREEMENT, dated May 01, 2004, between the state of New Mexico, acting by and through its commissioner of public lands, hereinafter called the "lessor", and

RUBICON OIL & GAS I, LP
400 WEST ILLINOIS
SUITE 1130
MIDLAND, TX 79701
hereinafter called the "lessee",

WITNESSETH:

WHEREAS, the lessee has filed in the office of the commissioner of public lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment; and

WHEREAS, all of the requirements of law relative to the application and tender have been duly complied with;

THEREFORE, in consideration of the premises as well as the sum of TWO HUNDRED TWENTY-FIVE THOUSAND and 00/100 dollars (\$225,000.00), the same being the amount of the tender above mentioned, and the further sum of \$30.00 filing fee, and of the covenants and agreements hereinafter contained, the lessor does hereby grant, demise, lease and let unto the said lessee, exclusively, for the sole and only purpose of exploration, development and production of oil or gas (including carbon dioxide and helium), or both thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights-of-way, easements and servitudes for pipelines, telephone lines, tanks, power houses, stations, gasoline plants and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas or water from said lands, but not from lessor's water wells, and with the rights of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the covenants and conditions hereinafter set out, the following described land situated in the count(y)(ies) of Lea, state of New Mexico, and more particularly described as follows:

Subdivisions	Section	Twp	Rgc	Acres	Institution
SW4	4	21S	35E	160.00	CS

Said lands having been awarded to lessee and designated as Tract No. V0-O-0008 at public sale held by the commissioner of public lands on April 20, 2004.

To have and to hold said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas, or either of them, is produced in paying quantities from said land by lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-sixth part of the oil produced and saved from the leased premises or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipeline, if the oil be run into a pipeline, or into storage tanks, if the oil is stored.

2. Subject to the free use without royalty, as hereinbefore provided, at the option of the lessor at any time and from time to time, the lessee shall pay the lessor as royalty one-sixth part of the gas produced and saved from the leased premises, including casing-head gas. Unless said option is exercised by lessor, the lessee shall pay the lessor as royalty one-sixth of the cash value of the gas, including casing-head gas, produced and saved from the leased premises and marketed or utilized, such value to be equal to the net proceeds derived from the sale of such gas in the field; provided, however, the cash value for royalty purposes of carbon dioxide gas and of hydrocarbon gas delivered to a gasoline plant for extraction of liquid hydrocarbons shall be equal to the net proceeds derived from the sale of such gas, including any liquid hydrocarbons recovered therefrom.

Notwithstanding the foregoing provisions, the lessor may require the payment of royalty for all or any part of the gas produced and saved under this lease and marketed or utilized at a price per m.c.f. equal to the maximum price being paid for gas of like kind and quality and under like conditions in the same field or area

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NM7930002-002

or may reduce the royalty value of any such gas (to any amount not less than the net proceeds of sale thereof, in the field) if the commissioner of public lands shall determine such action to be necessary to the successful operation of the lands for oil or gas purposes or to encouragement of the greatest ultimate recovery of oil or gas or to the promotion of conservation of oil or gas or in the public interest.

This lease shall not expire at the end of the primary term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein, or upon lands pooled or communitized herewith, where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom and if the lessee timely pays an annual royalty on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this lease shall not expire so long as said annual royalty is paid as herein provided. The amount of any annual royalty payable under this section shall equal twice the annual rental due to the lessee under the terms of this lease but not less than three hundred twenty dollars (\$320) per well per year, provided, however, that any such annual royalty for any year beginning on or after ten years from the date hereof shall equal four times the annual rental due by the lessee under the terms of this lease but not less than two thousand dollars (\$2,000) per well per year; provided further that no annual royalty shall be payable under this section if equivalent amounts are timely paid pursuant to another lease issued by lessor and if such other lease includes lands communitized with lands granted hereunder for the purpose of prorationally sharing in the shut-in well. Notwithstanding the provisions of this section to the contrary, this lease shall not be continued after five years from the date hereof for any period of more than ten years by the payment of said annual royalty unless, for good cause shown, the commissioner of public lands, in his discretion, grants such a continuance.

3. Lessee agrees to make full settlement on the twentieth day of each month for all royalties due to the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours to examine lessee's books relating to the production and disposition of oil and gas produced. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. An annual rental at the rate of \$1.00 per acre shall become due and payable to the lessor by the lessee upon each acre of the land above described and then claimed by such lessee, and the same shall be due and payable in advance to the lessor on successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than forty dollars (\$40.00).

In the event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the lessor a duly executed release thereof and in event said lease has been recorded then he shall upon request furnish and deliver to the lessor a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the lessor all amounts then due as provided herein and the further sum of forty dollars (\$40.00), surrender and cancel this lease insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor or any assignee, to enforce this lease, or any of its terms expressed or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, at the office of the commissioner of public lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor shall have the rights to assign this lease in whole or in part. Provided, however, that no assignment of an undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tracts, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land which is draining the leased premises, lessee shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, provided that no such offset well shall be required if compensatory royalties are paid pursuant to an agreement between the lessor and the lessee.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor.

If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee shall have filed a good and sufficient bond with the lessor as required by law, to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well when lessor deems it to be in the interest of the beneficiaries of the lands granted hereunder to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agree to pay of all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by the lessor the lessee shall bury pipelines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of Paragraph 10 above.

13. Upon failure or default of the lessee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee so defaulting, by registered or certified mail, addressed to the post-office address of such lessee as shown by the records of the state land office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within thirty days from the date of mailing said notice the said lessee shall remedy the default specified in said notice, cancellation shall not be made.

14. If this lease shall have been maintained in accordance with the provisions hereof and if at the expiration of the primary term provided for herein oil or gas is not being produced on said land but lessee is then engaged in bona fide drilling or reworking operations thereon, this lease shall remain in full force and effect so long as such operations are diligently prosecuted and, if they result in the production of oil or gas, so long thereafter as oil and gas in paying quantities, or either of them, is produced from said land; provided, however, such operations extending beyond the primary term shall be approved by the lessor upon written application filed with the lessor on or before the expiration of said term, and a report of the status of all such operations shall be made by the lessee to the lessor every thirty days and a cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

If during the drilling or reworking of any well under this section, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, then within twenty days after the abandonment of said operations, lessee may commence another well within three hundred thirty feet of the lost or junked hole or well and drill the same with due diligence.

Operations commenced and continued as herein provided shall extend this lease as to all lands as to which the same is in full force and effect as of the time said drilling operations are commenced; provided, however, this lease shall be subject to cancellation in accordance with Paragraph 13 hereof for failure to pay rentals or file reports which may become due while operations are being conducted hereunder.

15. Should production of oil and gas or either of them in paying quantities be obtained while this lease is in force and effect and should thereafter cease from any cause after the expiration of five years from the date hereof this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty days after the cessation of such production and shall remain in full force and effect so long as such operations are prosecuted in good faith with no cessation of more than twenty consecutive days, and if such operations result in the production of oil or gas in paying quantities, so long thereafter as oil or gas in paying quantities is produced from said land; provided, however, written notice of intention to commence such operations shall be filed with the lessor within thirty days after the cessation of such production, and a report of the status of such operations shall be made by the lessee to the lessor every thirty days, and the cessation of such operations for more than twenty consecutive days shall be considered as an abandonment of such operations and this lease shall thereupon terminate.

16. Lessee, including their heirs, assigns, agents and contractors shall at their own expense fully comply with all laws, regulations, rules, ordinances and requirements of the city, county, state, federal authorities and agencies, in all matters and things affecting the premises and operations thereon which may be enacted or promulgated under the governmental police powers pertaining to public health and welfare, including but not limited to conservation, sanitation, aesthetics, pollution, cultural properties, fire and ecology. Such agencies are not to be deemed third party beneficiaries hereunder, however, this clause is enforceable by the lessor in any manner provided in this lease or by law.

17. Should lessor desire to exercise its rights to take in-kind its royalty share of oil, gas or associated substances or purchase all or any part of the oil, gas or associated substances produced from the lands covered by this lease, the lessee hereby irrevocably consents to the lessor exercising its right. Such consent is a consent to the termination of any supplier/purchaser relationship between the lessor and the lessee deemed to exist under federal regulations. Lessee further agrees that it will require any purchaser of oil, gas or associated substance to likewise waive any such rights.

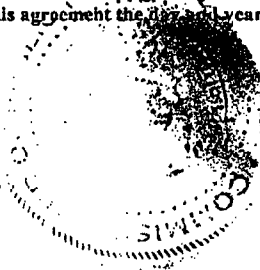
18. Lessor reserves a continuing option to purchase at any time and from time to time, at the market price prevailing in the area on the date of purchase, all or any part of the minerals (oil and gas) that will be produced from the lands covered by this lease.

19. Lessor reserves the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights-of-way and easements for these purposes.

20. All terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

In witness whereof, the party of the first part has hereunto signed and caused its name to be signed by its commissioner of public lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement this 11th day of May first above written.

STATE OF NEW MEXICO
By: Patrick H. Lopez
Commissioner of Public Lands, Lessor
Rubicon Oil & Gas I, LP
By: Rubicon Oil & Gas, LLC, General Partner



W. Brett Smith (Seal)
Lessee
W. Brett Smith

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ ss.

COUNTY OF _____ ss.

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

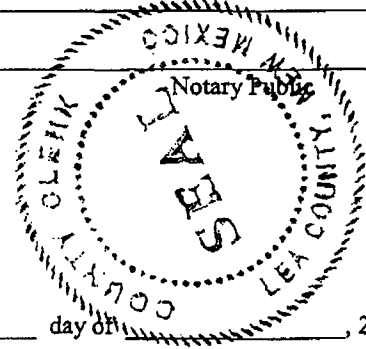
My commission expires: _____

(ACKNOWLEDGMENT BY ATTORNEY-IN-FACT)

STATE OF _____ ss.

COUNTY OF _____ ss.

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



as attorney-in-fact in behalf of

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

My commission expires: _____

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Texas ss.

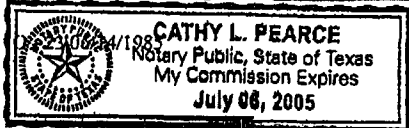
COUNTY OF Midland ss.

JUN 10 2004
at 11:23 o'clock A M
and recorded in Book 1310
Page 67
Melinda Rogers, Lea County Clerk
By Cathy L. Pearce Deputy

The foregoing instrument was acknowledged before me this 28th day of May, 2004, by

W. Brett Smith, Vice President of Rubicon Oil & Gas, LLC, General Partner of Rubicon
(Name) (Title) (Corporation)
Oil & Gas I, LP a Texas Limited Partnership, on behalf of said Limited partnership.

My commission expires: _____



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