

RICHARDSON OPERATING COMPANY

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BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 1 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u> ROPCO #8-3 Well 936' FSL and 1276' FWL Section 8-T29N-R14W San Juan County, NM

Fruitland Coal formation Spacing Unit - S/2 Section 8

Uncommitted Interests:

				Percent of	Mineral
Tract	Type Minerals	Net Acres	Gross Acres	Spacing Unit	Owner
1	Fee	0.38250	320	0.11953%	Herbert and Evelyn Smith
H	Fee	0.37950	320	0.11859%	Fred Rebele
111	Fee	0.37500	320	0.11719%	Gary C. Soza and Viola I. Blanton
IV	Fee	0.37500	320	0 11719%	Conseco Finance Servicing Corp.
V	Fee	0 43600	320	0.13625%	Ronald J. Johnson and Leona R. Begay
VI	Fee	0.43600	320	0.13625%	Julia Clah
VII	Fee	0.37550	320	0.11734%	William and Rosinda Crosby (Jr.)
VIII	Fee	0.37500	320	0.11719%	Callie P. Renfro
IX	Fee	0.38750	320	0.12109%	Myron E. Shorty and Vangie Randall
x	Fee	0.91850	320	0.28703%	CLR. LLC
XI	Fee	0.90000	320	0.28125%	Joe G and Patricia B. Singleton
XII	Fee	0.22500	320	0.07031%	Jessie C. and Archie Lee Crowe
XIII	Fee _	0.91825	320	0.28695%	Yucca Incorporated
Total		6.48375		2 02617%	

Leased to Richardson Production Company

97.97383%

Exhibit 2

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 2 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u> ROPCO #8-3 Well 936' FSL and 1276' FWL Section 8-T29N-R14W San Juan County, NM

Pictured Cliffs formation Spacing Unit - SW/4 Section 8

Uncommitted Interests:

				Percent of	Mineral
Tract	Type Minerals	Net Acres	Gross Acres	Spacing Unit	Owner
1	Fee	0.38250	160	0.23906%	Herbert and Evelyn Smith
11	Fee	0.37950	160	0.23719%	Fred Rebele
111	Fee	0.37500	160	0.23438%	Gary C. Soza and Viola I. Blanton
IV	Fee	0.37500	160	0.23438%	Conseco Finance Servicing Corp.
V	Fee	0.29100	160	0.18188%	Ronald J. Johnson and Leona R. Begay
VI	Fee	0.29100	160	0.18188%	Julia Clah
Х	Fee	0.91850	160	0.57406%	CLR. LLC
Total		3.01250		1.88281%	

Leased to Richardson Production Company

98.11719%

ROPCO #8-4 Well 1607' FSL and 1451' FEL Section 8-T29N-R14W San Juan County, NM

.

Pictured Cliffs formation Spacing Unit - SE/4 Section 8

Uncommitted Interests:

Tract	Type Minerals	Net Acres	Gross Acres	Percent of Spacing Unit	Mineral Owner
	Fee	0.14500	160	0.09063%	Ronald J. Johnson and Leona R Begay
VI	Fee	0.14500	160	0.09063%	Julia Clah
VII	Fee	0.37550	160	0.23469%	William and Rosinda Crosby (Jr.)
VIII	Fee	0.37500	160	0 23438%	Callie P Renfro
IX	Fee	0.38750	160	0.24219%	Myron E. Shorty and Vangle Randall
XI	Fee	0.90000	160	0.56250%	Joe G and Patricia B Singleton
XII	Fee	0 22500	160	0 14063%	Jessie C and Archie Lee.Crowe
XIII	Fee	0 91825	160	0 57391%	Yucca Incorporated
Total		3.47125		2.16953%	

Leased to Richardson Production Company 97.83047%

Exhibit 2

April 9. 2001

Efforts to obtain voluntary joinder:

Tract I

Herbert and Evelyn Smith Mail unclaimed. Tried to contact by phone. Checked both names in MSN white pages (internet) and Farmington phone book. No listings.

Tract II

Fred Rebele

Mail unclaimed. Tried to contact by phone. Checked in MSN white pages (internet) and Farmington phone book. No listing.

Tract III

Gary C. Soza and Viola I. Blanton

They received our offer. Mr. Soza spoke with an attorney and decided that because interest is so small, he would prefer to be force pooled.

Tract IV

Conseco Finance Servicing Corp.

Mail claimed, but no response. Property repossessed by finance company. I left several detailed messages on their voice mail, but did not get a call back.

Tract V

Ronald J. Johnson and Leona R. Begay

Mail unclaimed. Tried to contact by phone. Checked both names in MSN white pages (internet) and Farmington phone book. No listings.

Tract VI

Julia Clah

Mail unclaimed. Tried to contact by phone. Checked in MSN white pages (internet) and Farmington phone book. No listing.

Tract VII

William and Rosinda Crosby (Jr.)

They received our offer. I spoke with Mrs. Crosby and explained our plans in great detail. She was going to check with her husband who works on rigs in Wyoming. No further response. I have since left several messages on their voice mail.

Tract VIII

Callie P. Renfro

Mail unclaimed. Located phone number, but no answer on several attempts. No voice mail. I spoke with a realtor who knows her and explained the situation. Realtor said she would pass along the information and ask Mrs. Renfro to call me. There has been no response to date.

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 3 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u> Tract IX

Myron E. Shorty and Vangie Randall

Mail claimed, but no response. Tried to contact by phone. Checked both names in MSN white pages (internet) and Farmington phone book. No listings.

Tract X

CLR, LLC

New owner bought video store 1-16-01. Sent offer 1-22-01. I talked with owner and neighbor (BP Amoco employee) in great detail. Due to small size of interest, owner prefers to be force pooled.

Tract XI

Joe G. and Patricia B. Singleton

Received offer. I spoke with Mrs. Singleton in great detail. Called back several times, but no response.

Tract XII

Jessie C. and Archie Lee Crowe

Severed mineral interest, therefore, no address listed with County Assessor. Tried to contact by phone. Checked both names in MSN white pages (internet) and Farmington phone book. No listings.

Tract XIII

Yucca Incorporated

Severed mineral interest, therefore, no address listed with County Assessor. New Mexico Secretary of State shows forfeited corporate status 10-8-57. Phone number for registered agent disconnected. No corporate phone number found in internet search.

RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W

Proposed Depth: 850' Fruitland Coal 1000' Pictured Cliffs

Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

١.	Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits		3.000		1,500	1,500
	Title Opinion		3,000		1,500	1,500
	* Drilling (incl. water and mud) 1000' @ 15.00/ft. · · ·		15,000		6,375	8,625
	BOP Rental·····		750		375	375
	Dirt Work		4,000		2,000	2,000
	Pit Lining		2.800		1,400	1,400
	Surface Casing 200' @ 7.18/ft.	1.436			718	718
	Casing Head.	1.500			750	750
	Cement Surface		2,300		1,150	1,150
	Power Tongs		1,000		500	500
	Casing 1000' @ 5.50/ft.	5.500			2.338	3,163
	Trucking		3.000		1.500	1,500
	Logs		3.750		1,875	1,875
	Engineering		5,000		2,500	2,500
	Cement Longstring		4.000	[1,700	2.300
	Total Cost to Run Casing	8.436	47,600	56.036	26,181	29,856
	5.9375% Farmington, NM Tax			3.327	1,554	1,773
	10% Contingency	1		5.936	2,773	3.163
	Grand Total to Run Casing	1	1	65 299	30,508	34.791
H.	Completion Costs					
	Rig Anchors		750		375	375
	Logs		3.000		1,500	1,500
	Pert		3,500		1,750	1,750
	Wellhead & Fittings	4.000			2,000	2,000
	Tubing 1000' @ 2.50/ft.	2.500			1.063	1,438
	Stimulation		42.000		21.000	21,000
	Tool Rental		2.300		1.150	1,150
	Trucking		3.000		1,500	1,500
	Battery Installation		6.000		3.000	3,000
	Restore Location		3.500		1,750	1,750
	Engineering		5.800		2,900	2,900
	Treator, Separator	5,300			2,650	2,650
	Flowine	4.000			2.000	2.000
	Tank & Fittings	4 500			2,250	2.250
	Gravel		3.000		1,500	1.500
	Norkover Rige en	i	10.000		5,000	5.000
	Completion Fluids	:	2.000	1	1.000	1.000
	Pipeline Hookup	1	13.000	-	6.500	6.500
	Division Order Opinion	:	1,500		750	750
	Frac Tank Rental	;	2.500		1.250	1,250
	Fiowback		2.000		1.000	1,000
	Fence Location	3 3001			1.650	1.650
	Total Completion Costs	23.6001	103,850	127 450	63,538	63,913
	5.9375% Farmington, NM Tax	20.000		7,567	3,773	3,795
	10% Contingency	,		13.502	6,731	6,771
	Drilling Costs			65 299	30.508	34,791
				213 319	104.550	109.269
	Grand Total Well Costs			213 3.3	104.000	.09.209

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 4 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

١. Drilling Costs (Included Run Casing) Survey and Permits Title Opinion Drilling (incl. water and mud) 1200' @ 1 BOP Rental Dirt Work Pit Lining Surface Casing 200' @ 7.18/ft. Casing Head Cement Surface Power Tongs Casing 1200' @ 5 50/ft. Trucking. Logs Engineering Cement Longstring Total Cost to Run Casing 5 9375% Farmington, NM Tax Grand Total to Run Casing-Н. Completion Costs Rig Anchors-Logs Pert Weilhead & Fittings Tubing 1200' @ 2 50. ft ------Trucking a second second second Battery installation Restore Location Treator Secarator Flowline Treator Secarator Tank & Ettings - -----Gravel Workover Rig Completion Fluids Division Order Opinion Pipeline ∺coxup Frac Tank Pental Flowback

Date: 01/15/2001 Objective Formation: Pictured Cliffs

Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Actual
Survey and Permits		3.000		
Title Opinion		1.500		
Drilling (incl. water and mud) 1200' @ 15.00/ft.com		18,000		
BOP Rental		750		
Dirt Work		4,000		
Pit Lining		2.800		
Surface Casing 200' @ 7.18/ft.	1.436			
Casing Head	1.500			
Cement Surface		2,300		
Power Tongs		1.000		
Casing 1200' @ 5 50/ft.	6.600			
Trucking.		3.000		
.ogs		3.500		
Ingineering	4	3.000		
Cement Longstring.		4,000		
Total Cost to Run Casing and a second second	9,536	46 850	56.386	
5 9375% Farmington, NM Tax	2.000		3,348	
10% Contingency			5.973	
Grand Total to Run Casing	l		65.707	
.			05.707	
ompletion Costs		750		
g Anchors				
ogs		2.500		
	4 000	2.000	Í	
eilhead & Fittings	4.000			
ubing 1200° @ 2 50. ft	3.000			
timulation exercises and the second		22.000		
ool Renta.		2.300		
rucking		3.000		
attery installation -		6 000		
estore _ccation-		3.500		
ngineering	E 3001	3 250		
reator Secarator	5.3001			
	4.000			
ank & Fittings	4.500			
ravel	3.000			
orkover Rig.		5.000		
ompletion Fluids		1.000		
wision Order Opinion-		: 000		
rbeline ⇔sokup		: 3 000		
rac Tank Pentales - see see see see see see		1.250	l	
OMDACK See See See See See See See See See Se		1.000		
ence Location	3.300			
otal Completion Costs	27.100	67,550	94,650	
5.9375% Farmington, NM Tax			5,620	
10% Contingency			10,027	
Drilling Costs			65.707	
Grand Total Well Costs		l l	176.004	

A.A.P.L. FORM 610 - 1989 MODEL FORM OPERA TING AGREEMENT

1

OPERATING AGREEMENT

DATED

May 14, 1998,

OPERATOR Richard	lson Operating Company
CONTRACT AREA	Township 30 North, Range 14 West, NMEM
	Section 21: W/2
	Surface to base of Pictured Cliffs formation
COUNTY OR PARISH	OF, STATE OF

COPYRIGHT 1989 --- ALL RIGHT'S RESERVED AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM. A.A.P.L. NO. 610 - 1989

> BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 5 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

EXHIBIT " c "

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5011.11.1

of Calculation Accordingly

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theched to and made a part of _Altached_to_and_made_a_part_of_that_certals_Operating_Operating_dereement_ dated_May_14, 1998, _between_Richardson_Operating_Company, as Operator, and Amoco_____ Production_Company, et al, as Non-Operators.

ACCOUNTING PROCEDURE JOINT OPERATIONS

L. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure to attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and mainte nance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Partles.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Mon-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating enpacity.

"Technical Employees" shall mean these employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problemfor the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable relationsable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so clussified in the Material Classification Manual a most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Dillings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense exception iteras of Controllable Material and unusual charges and credits shall be separately identified and fully described i detail.

3. Advances and Payments by Non-Operators

- A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance the share of estimated each onliny for the succeeding month's operation within fifteen (15) days after receipt of the biing or by the first day of the month for which the advance is required, whichever is inter. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.
- D. Each Non-Operator shall pay its proportion of all bills within fifteen (16) days after receipt. If payment is not ma within such time, the unpuld balance shall bear interest monthly at the prime rate in effect at <u>Norwest</u> Bank_Denver______ on the first day of the month in which definquency occurs plus <u>1% or the maxim</u> contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whiches is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpuld amount.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to piatest or question the correctness there provided, however, all hills and statements rendered to Non-Operators by Operator during any calendar year shall e clusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar ye unloss within the solid twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescriculation of this paragraph shall not prevent adjustments resulting from a physical inventory of Controlls

HI. OVERHEAD

Overhead - Drilling and Producing Operations

1. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Busis, Paragraph 1A, or

() Percentage Basis, Paragraph 111

Unless otherwise agreed to by the Parties, such charge shall be in Heu of cosis and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A. Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The solaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates.

- A. Overhead Fixed Rate Basis
 - (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rule \$ 5,000,00_ (Prorated for less than a full month)

Producing Well Rate \$ 500.00

- (2) Application of Overhead Fixed Rate Basis shall be as follows:
 - (n) Drilling Well Rate
 - (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
 - (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (16) or more consecutive calendar days.
 - (b) Producing Well Rates
 - (1) An active well either produced or injected into for any portion of the month shall be considered as a one well charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (3) An innetive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sale outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allow able, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly carnings of Grude Petroleum and Grander workers for the last calendar year compared to the calendar year preceding as shown by the Inde of average weekly carnings of Grude Petroleum and Grander average weekly carnings of Statistic of average weekly carnings of Grude Petroleum and Grander average average average average of Labor, Hureau of Labor Statistics, or the equivalent Canadian index as published by Statisti Granda, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed a justment.
- B .-- Overhead --- Percentage-Basia

(1)-Operator-shall charge-the Joint-Account at the following rates:



OPERATING AGREEMENT

DATED

August 26, 19 98 ...,

OPERATOR	Richardson Operating Company
CONTRACT AREA	Township 30 North, Range 14 West, NMPM
	Section 16: All
	Section 2: N/2
	Township 29North, Range 14 West, NMPM
	Section 16: N/2
COUNTY OR PARISH (OF San Juan STATE OF New Mexico

COPYRIGITE 1909 - ALL REGITS RESERVED AMERICAN ASSOCIATION OF PETROLEUM ' LANDMEN, 4000 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM.

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EXHIBIT " e "

ched to and made a park of _Attached_to_and_made_a_park_of_that_certalp_Operating_Aggrement_ hed______between_Nichardson_Operating_Company, as Operator, and Evko______ evelopment Co., _et_al_as_Non-Operators.

> ACCOUNTING PROCEDURE JOINT OPERATIONS

U. GEHERAL PROVISIONS

Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedur Is altoched.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and mainte nance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Opertions and which are to be shared by the Cartles

"Operator" shall mean the party designated to conduct the Julat Operations.

"Non Operators" shall mean the Partles to this agreement other than the Operator.

"Partles" shall mean Operator and Han Operators.

"Fhat Level Supervisors" shall mean these employees where primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a fluid operating enpacity. "Technical Employees" shall mean these employees having special and specific engineering geological or atlan profe

"Technical Employnes" shall mean those employees having special and specific engineering, geological or atlar piole stand skills, and whose primary function in Joint Operations is the hamilting of specific operating conditions and problem for the benefit of the Joint Property.

"Personal Expenses" shall mean linvel and other reasonable reliably sable expenses of Operator's employees.

"Material" shall mean personal property, equipment or sumplies acquired ar held for use on the Joint Property, "Controllable Material" shall mean Material which at the time is so glussified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and fillings

Operator shall bll Non-Operators on or before the last day of each month for their proportionate share of the Joint / count for the proceeding month. Such bills will be accompanied by statements which identify the authority for expenditulease or facility, and all charges and credits summarized by appropriate classifications of loventment and expense exclude items of Controllable Material and unusual charges and credits shall be separately identified and fully described ited its shall be separately identified and fully described ited.

3. Advances and Payments by Non-Operators

- A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance to share of estimated cash outbay for the succeeding month's operation within Afteon (16) days after receipt of the ing or by the first day of the month for which the advance is required, whichever is inter. Operator shall adjust r monthly billing to reflect advances received from the Non-Operators.
- B. Each Hon Operator shall pay its proportion of all bills within fifteen (16) days after receipt. If payment is not a within such time, the unpublication what been interest monthly at the prime rate in effect at <u>NorWest</u>. <u>Dark Denyer</u> on the flat day of the monthly at the value delinquency occurs plus 1% or the maximum formation of the flat day of the start to be which the Joint Property is formed, which ensure the context is contexted, which is the lesser, plus atturney's fees, court costs, and other costs in contextion with the collection of unpublic normality.

4. Adjustments

Payment of any much bills shall not prejudice the right of any blan Operator to platest or question the correctness the provided, however, all hills and statements rendered to blan Operators by Operator during any calendar year shall chusively be presumed to be true and correct attactiventy four (24) months following the end of any nucle calendar unloss within the odd twenty-four (24) months period a Bon-Operator takes within twenty-four overstands and statement favorable to Operator takes within the oversteen and mathematic favorable to Operator takes within the overstand twenty-four (24) months period a Bon-Operator takes within the overstand bornto and mathematication of the programment favorable to Operator shall be made unless it is made within the same presented. The provisions of this period whall not prevent adjustments resulting from a physical inventory of Contract of the provided for in Section V.

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HI OVERHEAD

Iverbond - Drilling and Producing Operations

As compensation for administrative, supervision, office services and wavebouring costs. Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or

() Percentage Basis, Paragraph IB

Unless otherwise agreed to by the Partles, such charge shall be to their of costs and expenses of all offices and unlar her or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A. Section 11. The cost and expense of services from outside nources in connection with matters of taxation, traffic accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account

II. The solaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property.

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates.

III. The naturles, wages and Personal Expenses of Technical Employees and/accents at professional consultant services and contract aervices of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates

- A. Overhead Fleed Rate Dasts
 - (1) Operator shall charge the Joint Account at the following rates per well per month:

Dilling Well Rule 7.5,000,00 (Provided for less than a full month)

Producing Well linte \$ 500.00

- (2) Application of Overhead Fixed Rate Basis shall be as follows:
 - (a) Drilling Well Rate
 - (1) Charges for dilling wells shall begin on the date the well is spudded and terminate on the date the dilling alg, completion alg, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of dilling or completion operations for fifteen (16) or more consecutive calendar days.
 - (2) Charges for wells undergoing any type of workover or recompletion for a parlod of five (6) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the perfor from data workover operations, with eight other units used in workover, commence through date of eight or other unit referse, except that no charge shall be made during suspension of operations for liftee (16) or more consecutive calondar days.
 - (b) Producing Well Rates
 - (1) An active well either produced or injected into for any portion of the month shall be considered as a onwell charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole she be considered as a one-well charge providing each completion is considered a separate well by the govering regulatory authority.
 - (3) An innerive gas well shut in because of overproduction or failure of purchaser to take the production sh bo considered as a one-well charge providing the gas well is directly connected to a permanent sa outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one well charge shall be made whether or not the well has produced except which illing well rate applies.
 - (6) All other innetive wells (including but not limited to inactive wells covered by unit allowable, lease all able, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The wall rates shall be adjusted as of the flist day of April each year following the effective date of the agrees to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate really in use by the percentage increase or decrease in the average weekly earnings of Grude Petroleum and Production Workers for the last calendar year compared to the calendar year preceding esthem by the boot of average weekly earnings of Grude Petroleum and One Production Workers and published by the United St Department of Labor. Hurann of Labor Statistics, or the equivalent Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or infane the computer function.

A.A.P.L. FORM 610 - 1989 MODEL FORM OPERATING AGREEMENT

1 "

OPERATING AGREEMENT

DATED

December 151998 ,

OPERATOR	lichardson Op	erating Company		
CONTRACT ARE	A Townsh	ip 30 North, Rai	nge 14 West, NMRM	
	Sectio	n 16: W/2		
	Surfac	e to base of Pi	ctured Cliffs formati	an
	<u>.</u>			
COUNTY OR PAI	USH OF	San Juan	, STATE OF	New Mexico

COPYRIGHT 1989 — ALL RIGHTS RESERVED AMERICAN ASSOCIATION OF PETROLFUM LANDMEN, 4100 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM.

EXHIBIT "c" rebed to and made a part ofAttached_to_and_made_a_part of that_certain_Operating_Advecment. red_Dec. 15,1998between_Richardson_Operating_Companyns_Operator.and_Amoco			5 n 1 + 1 + 1	- (' ())
rebed to and made a part of _Attached_to_and_made_a_part of that_certain_Operating_Advecment_ ited_Dec. 15, _1998; _between_Richardson_Operating_Company, as Operator, and Amoco				(N/I
ited_Dec. 15, 1998; hetween_Hichardson_Operating_Company, as Operator, and Amoco	EXHIBIT " d	, , , ,		
oduction_company, ec_ai, as won-vperacors.	reled to and made a part of <u>Attached to and made a part of</u> thed Dec. 15, <u>1998</u> , between Atchardson Operating Comp oduction Company, et al, as Non-Operators.	<u>lbat</u> certal an <u>y, as Oper</u>	n_Operating_Adreemen ator_aud_Amoco	J.i

ACCOUNTING PROCEDURE JOINT OPERATIONS

L. GENERAL PROVISIONS

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"Joint Property" shall mean the rest and personal property subject to the agreement to which this Accounting Procedure In attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and mainte nance of the Joint Property.

"Joint Account" shall more the account showing the charges paid and crudits received in the conduct of the Joint Operations and which are to be shared by the Fastles.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the l'artics to this agreement other than the Operator,

"Partles" shall mean Operator and Hon Operators.

"First Level Supervisors" shall mean these employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific ungineering, geological in ather pietes sional skills, and whose primary function in Juint Operations is the bandling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable relimbursable expenses of Operator's comployees

"Material" shall mean personal property, equipment or supplies sequired or held for use on the Joint Property. "Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual amost recently recommended by the Council of Petroleum Accountants Societies.

Statement and Dillings

Operator shall bill Non-Operators on as before the last day of each month for their proportionate share of the Joint Ar-count for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately bleatified and fully described in detall

Advances and Payments by Non Operators

- Unless otherwise provided for in the agreement, the Operator may require the Mon-Operators to edvance their ۸. share of estimated each outbay for the succeeding month's operation within lifteen (16) days after receipt of the bill ing or by the first day of the month far which the advance is regulred, whichever is later. Operator shall adjust each monthly hilling to reflect advances received from the Non-Operators
- Each Non-Operator shall pay its proportion of all bills within fiffeen (16) days after receipt. If payment is not mod Ŋ, within such time, the unput balance shall bear interest monthly at the prime rate in effect at NOTWEST

Adjustments

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Payment of any such hills shall not prejudice the right of any Non-Operator to platest or question the correctness there. provided, however, all hills and statements condeced to Flan Operators by Operator during any calendar year shall coclusively be presumed to be true and correct after (wenty four (24) months following the end of any ouch colondar yea unloss within the sold twenty-tour (24) month period a Hon-Operator takes written exception therets and makes elating Operator for adjustment. He adjustment favorable to Operator diall be made unless it is made within the same preserily period. The provisions of this privariable shall not prevent adjustments resulting from a physical inventory of Controllab Material as provided for in Section V.

HI. OVERHEAD

Overhead - Drilling and Producing Operations

. As compensation for administrative, supervision, office services and warehousing costs. Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or

() Percentage Danis, Paragraph 111

Unless otherwise agreed to by the Partles, such charge shall be in Heu of costs and expenses of all offices and unlarles or wages plus applicable bordens and expenses of all parsonnel, except those directly chargeable under Paragraph 3A. Section 11. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section 11 unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

H. The solaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates.

ill. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

() shall be covered by the overhead rates, or

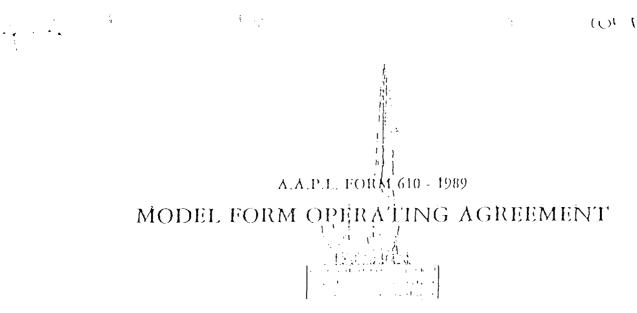
(X) shall not be covered by the overhead intes.

- A. Overhend Flxed Rate Dasis
 - (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Role \$ 5,000,00 (Provaled for less than a full month)

Producing Well Hate \$ 500_00____

- (2) Application of Overhead Fixed Rate Basis shall be as follows:
 - (a) Drilling Well Rate
 - (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion sig, or other units used in completion of the well is released, whichever is inter, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
 - (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for lifteen (15) or more consecutive calendar days.
 - (b) Producing Well Rates
 - An active well either produced or injected into for any portion of the month shall be considered as a one if well charge for the entire month.
 - (2) Each active completion is a multi-completed well in which production is not commingled down hole shall g be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (3) An innetive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sale-outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when it drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allow ¹ able, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreements which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Greproduction Workers for the last entendar year compared to the calendar year preceding as shown by the interior of average weekly earnings of Crude Petroleum and Greproduction Workers for the last entendar year compared to the calendar year preceding as shown by the interior average weekly earnings of Crude Petroleum and Greproduction Workers as published by the United State Department of Labor, Bureau of Labor Statisties, or the equivalent Caundian Index as published by Statistic Granda, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed as justment.



1 ...

OPERATING AGREEMENT

DATED June 1, 2000

OPERATORRLCI	HARDSON_OPERATING_COMPANY
CONTRACT AREAT	DWNSHIP 30 NORTH - RANGE 14 WEST, NMPM
Se	ection 21: NW/4
Surface to ba	ase of the Pictured Cliffs Formation
COUNTY OR PARISH OF	San Juan , STATE OF New Mexico

COPYRIGHT 1989 -- ALL RIGHTS RESERVED AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK WLVD. FORT WORTH, BEXAS, 76137, APPROVED FORM. A.A.P.T. NO. 610 - 1989

COPAS - 1984 - OHSHORE

Recommended by the Council of Petroleum Accountants Sociatios

-COPAS

EXHIBIT " c "

Attached to and made a part of ______certain ...Operating Agreement .Dated June 1, 2000,

between_Richardson_Operating Company,	as Operator, and Amogo
Production Company, et al, as Non-Ope	rators

ACCOUNTING PROCEDURE JOINT OPERATIONS

L. GENERAL PROVISIONS

1. Definitions

.

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations

"Non Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity. "Technical Employees" shall mean those employees having special and specific engineering, geological or other profes-

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

- A. Unless otherwise provided for in the agreement, the Operator may require the Non Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non Operator to protect or question the correctness thereof; provided, however, all bills and statements rendered to Non Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

HL OVERHEAD

1. Overhead - Drilling and Producing Operations

5 B 1

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(x) Fixed Rate Basis, Paragraph 1A, or

(^{*}) Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A. Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

() shall be covered by the overhead rates, or

 (\mathbf{x}_{-}) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:
 - () shall be covered by the overhead rates, or

 $\{\mathbf{k}_{\mathbf{k}}\}$) shall not be covered by the overhead rates.

- A. Overhead Fixed Rate Basis
 - (4) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 5,000.00 (Prorated for less than a full month)

Producing Well Rate \$ 500,00

- (2) Application of Overhead Fixed Rate Basis shall be as follows:
 - (a) Drilling Well Rate
 - (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
 - (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.
 - (b) Producing Well Rates
 - (1) An active well either produced or injected into for any portion of the month shall be considered as a onewell charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one well charge providing each completion is considered a separate well by the governing regulatory authority.
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 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Grude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Grude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed ad justment.

B--Overhend -- Percentage Basis

(1) Operator shall charge the Joint-Account at the following rates:

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OPERATING AGREEMENT

DATED

June 1, 2000

OPERATORRICHARDSON_OPERATING_COMPANY
CONTRACT AREA
Section 21: SE/4
Surface to base of the Pictured Cliffs Formation
COUNTY OR PARISH OFSan_Juan, STATE OFNew_Mex1co

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- 1 * *			COPAS - 1984 - OHSHORE	
			Recommended by the Counc	:11
			of Petroleum Accountants	
			Sociation	
				U/////

EXHIBIT " c "

Attached to and made a part of ______certain. Operating Agreement. Dated June 1, 2000,

between_Richardson_Operating	Company, as Operator, and Amogo
Production Company, et al, as	Non-Operators

ACCOUNTING PROCEDURE JOINT OPERATIONS

L. GENERAL PROVISIONS

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HL OVERHEAD

1. Overhead - Drilling and Producing Operations

. .

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(X) Fixed Rate Basis, Paragraph 1A, or

() Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

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- A. Overhead Fixed Rate Basis
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Drilling Well Rate \$ __5,000-00 (Prorated for less than a full month)

Producing Well Rate \$ __500,00

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- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.
- B.-Overhend-Percentage-Basia

(1) Operator shall charge the Joint Account at the following rates:

BEFORE THE OIL CONSERVATION DIVISION NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 12643

AFFIDAVIT

STATE OF NEW MEXICO)) ss. COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of Richardson Production Company, the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the addresses shown on Exhibit "A" attached hereto and that true and correct copies of the notice letter and proof of receipt are attached hereto.

Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this $\frac{18^{TH}}{1000}$ day of April, 2001.

Notary Publ

My Commission Expires:

APRIL 26. 2003

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 6 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

<u>EXHIBIT A</u> APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR COMPULSORY POOLING SECTION 8, TOWNSHIP 29 NORTH, RANGE 14 WEST SAN JUAN COUNTY, NEW MEXICO

NOTICE LIST

Herbert and Evelyn Smith 2011 Troy King Road #175 Farmington, New Mexico 87401

Julia Clah Post Office Box 762 Shiprock, New Mexico 87420

Callie P. Renfro #2 County Road 6212 Kirtland, New Mexico 87417

Conseco Finance Servicing Corp. 111 Lomas Boulevard NW, Suite 500 Albuquerque, New Mexico 87102

Joe G. and Patricia B. Singleton Post Office Box 1665 Kirtland, New Mexico 87417

William and Rosinda Crosby, Jr. Post Office Box 686 Waterflow, New Mexico 87421 Yucca Incorporated No Address

Jessie C. Crowe No Address

Fred Rebele #3 County Road 6212 Kirtland, New Mexico 87417

Ronald J. Johnson and Leona R. Begay Post Office Box 3517 Shiprock, New Mexico 87420

Gary C. Soza and Viola I. Blanton #12 County Road 6212 Kirtland, New Mexico 87417

Myron E. Shorty and Vangie Randall #1 County Road 6212 Kirtland, New Mexico 87417

CLR, LLC Attention: Doug Leming Post Office Box 1564 Kirtland, New Mexico 87417



DENVER • ASPEN BOULDER • COLORADO SPRINGS DENVER TECH CENTER BILLINGS • BOISE CHEYENNE • JACKSON HOLE SALT LAKE CITY • SANTA FE WASHINGTON, D.C. SUITE 1 110 NORTH GUADALUPE SANTA FE, NEW MEXICO 87501-6525 MAILING ADDRESS P.O. BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE (505) 988-4421 FACSIMILE (505) 983-6043 www.hollandhart.com

March 29, 2001

<u>CERTIFIED MAIL</u> RETURN RECEIPT REQUESTED

To All Interest Owners:

Re: Application of Richardson Production Company for compulsory pooling, San Juan County, New Mexico. ROPCO Well No. 8-3

Dear Interest Owner:

This letter is to advise you that Richardson Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the S/2 of Section 8, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico. Said units will be dedicated to its proposed ROPCO Well No. 8-3.

This application has been set for hearing before a Division Examiner on April 19, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

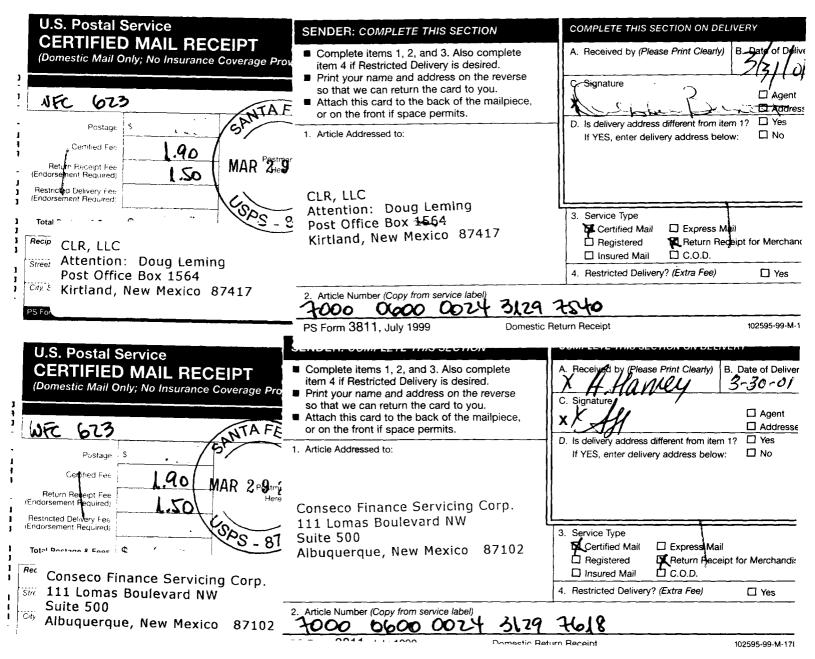
Very truly yours,

Michael H. Feldewert ATTORNEY FOR RICHARDSON PRODUCTION COMPANY

Enclosure



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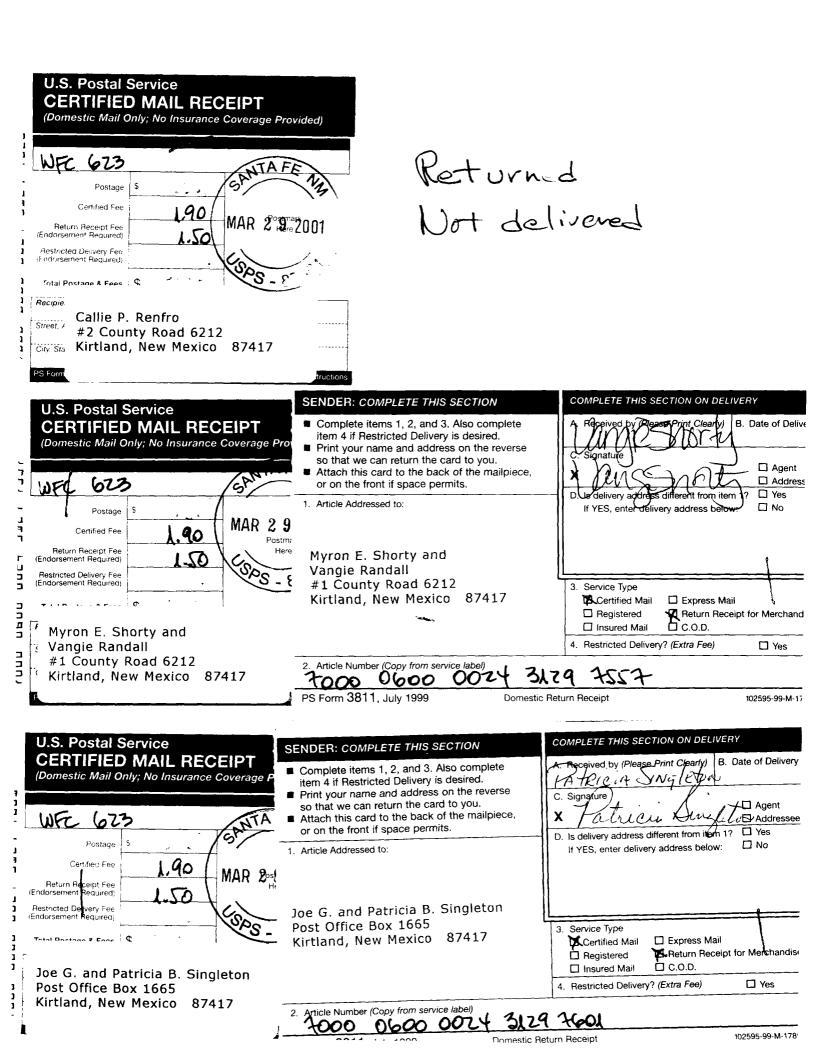


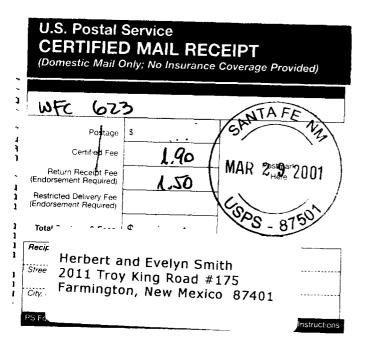
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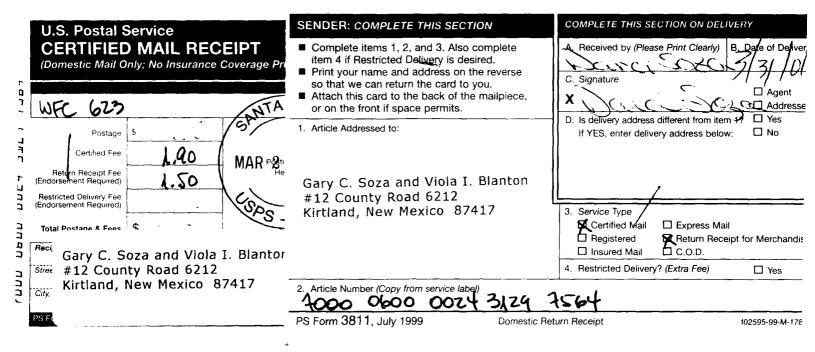




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BEFORE THE OIL CONSERVATION DIVISION NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 12644

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of Richardson Production Company, the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the addresses shown on Exhibit "A" attached hereto and that true and correct copies of the notice letter and proof of receipt are attached hereto.

-04

Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this $15^{7^{H}}$ day of April, 2001.

Notary Public

My Commission Expires:

APPEL 76, 2003

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 7 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

EXHIBIT A

APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR COMPULSORY POOLING SECTION 8, TOWNSHIP 29 NORTH, RANGE 14 WEST SAN JUAN COUNTY, NEW MEXICO

NOTICE LIST

Julia Clah Post Office Box 762 Shiprock, New Mexico 87420

Callie P. Renfro #2 County Road 6212 Kirtland, New Mexico 87417

Joe G. and Patricia B. Singleton Post Office Box 1665 Kirtland, New Mexico 87417

Yucca Incorporated No Address

Jessie C. Crowe No Address

Ronald J. Johnson and Leona R. Begay Post Office Box 3517 Shiprock, New Mexico 87420

Myron E. Shorty and Vangie Randall #1 County Road 6212 Kirtland, New Mexico 87417

William and Rosinda Crosby, Jr. Post Office Box 686 Waterflow, New Mexico 87421



DENVER • ASPEN BOULDER • COLORADO SPRINGS DENVER TECH CENTER BILLINGS • BOISE CHEYENNE • JACKSON HOLE SALT LAKE CITY • SANTA FE WASHINGTON, D.C. SUITE 1 110 NORTH GUADALUPE SANTA FE, NEW MEXICO 87501-6525 MAILING ADDRESS P.O. BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE (505) 988-4421 FACSIMILE (505) 983-6043 www.hollandhart.com

March 29, 2001

<u>CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u>

To All Interest Owners:

Re: Application of Richardson Production Company for compulsory pooling, San Juan County, New Mexico. ROPCO Well No. 8-4

Dear Interest Owner:

This letter is to advise you that Richardson Production Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of SE/4 of Section 8, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico. Said unit will be dedicated to its proposed ROPCO Well No. 8-4.

This application has been set for hearing before a Division Examiner on April 19, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Michael H. Feldewert ATTORNEY FOR RICHARDSON PRODUCTION COMPANY

Enclosure



Returned Not de livered

U.S. Postal Service	: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
CERTIFIED MAIL RECEIPT	te items 1, 2, and 3. Also complete	A. Received by (Please Print Clearly) B. Date of Delive
(Domestic Mail Only; No Insurance Coverage Provided)	Restricted Delivery is desired.	FATRICIA SINGLETON
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11/2 1070	we can return the card to you. his card to the back of the mailpiece,	Agent
WER 628 WITA FE	le front if space permits.	- Multi gunquier Addressi
ostage S	ddressed to:	D. Is delivery address different from ten 1? Yes If YES, enter delivery address below: No
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Beturn Bereint Fee MAR 2 9 m 2001		
(Endorsement Required)	and Patricia Singleton	
Restricted Delivery Feg (Endorsement Regulated)	fice Box 1665	
025 8750	d, New Mexico 87417	3. Service Type
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Recip		Registered Return Receipt for Merchandi: Insured Mail C.O.D.
William and Rosinda Crosby, Jr.		4. Restricted Delivery? (Extra Fee)
Waterflow, New Mexico 87421		
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Leona R. Begay		
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³ Shiprock, New Mexico 87420		



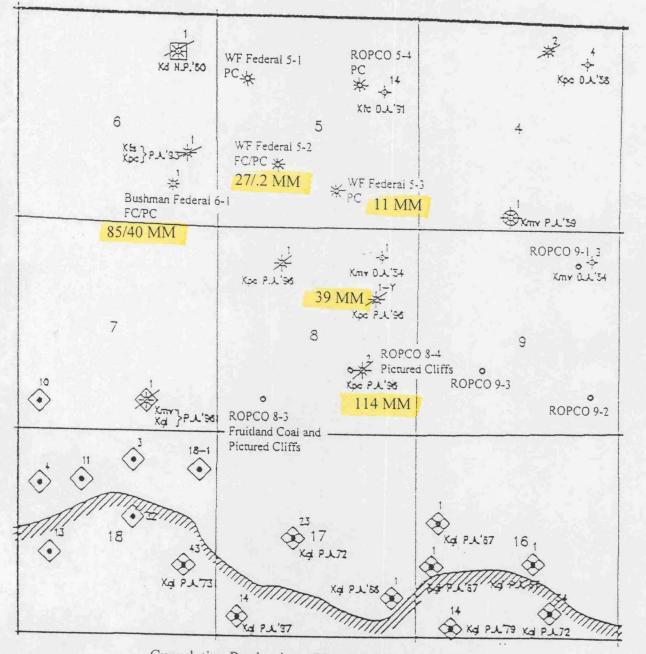
r Instructions

20

RICHARDSON OPERATING COMPANY

Township 29 North, Range 14 West, NMPM San Juan County, New Mexico

CUMULATIVE PRODUCTION



Cumulative Production - Pictured Cliffs formation

Section 5	#5-2	0.2 MM
	#5-3	11 MM
Section 6	#6-1	40 MM
Section 8	#1-Y	39 MM
	#2	114 MM

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case Nos. 12643/12644 Cons. Exhibit No. 8
Submitted by:
Richardson Production Company
Hearing Date: April 19, 2001

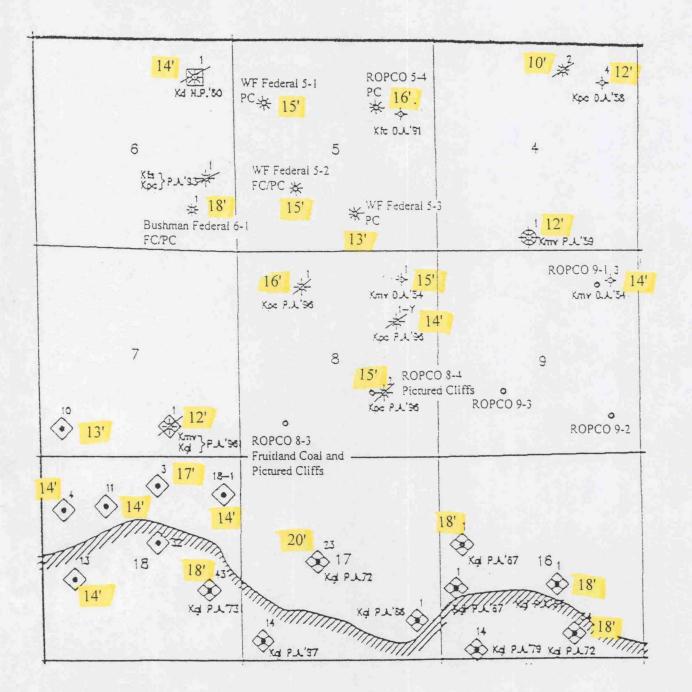
Cumulative Production - Fruitland Coal formation

Section 5	#5-2	27 MM
Section 6	#6-1	85 MM

RICHARDSON OPERATING COMPANY

Township 29 North, Range 14 West, NMPM San Juan County, New Mexico

BASAL COAL THICKNESS



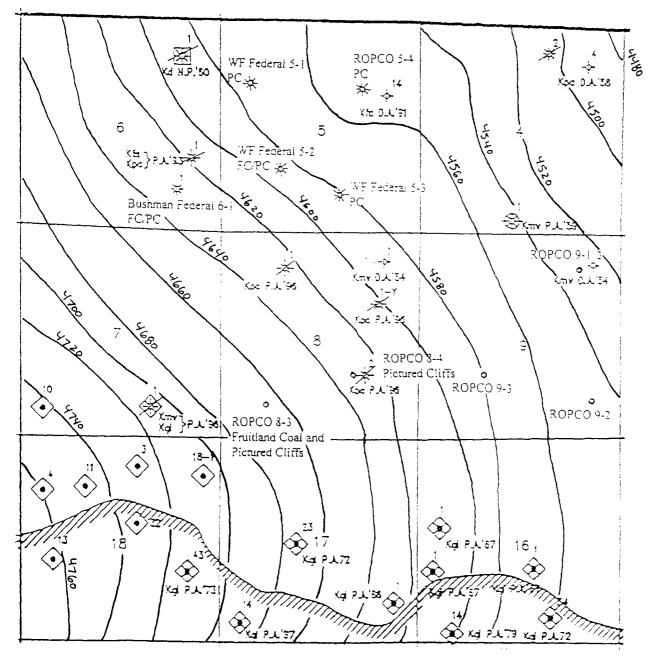
BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case Nos. <u>12643/12644</u> Cons. Exhibit No. 9 Submitted by: <u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

RICHARDSON OPERATING COMPANY

Township 29 North. Range 14 West, NMPM San Juan County, New Mexico

CONTOUR MAP

Basin Fruitland Coal formation



	ROPCO 8-3	ROPCO <u>8-4</u>	
Estimated Total Depth	660'	780'	BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico
Estimated Coal Thickness	14'	15'	Case Nos. <u>12643/12644</u> Cons. Ex. No. 10 Submitted by:
			<u>Richardson Production Company</u> Hearing Date: <u>April 19, 2001</u>

Exhibit 11

RICHARDSON PRODUCTION COMPANY ESTIMATED REMAINING RESERVES AND FUTURE NET INCOME CONSTANT PRICES AND COSTS - TYPE WELL ECONOMICS -- ROG-12/00-LEASE

WEL		GROSS PROD	UCTION	NE1	T PRODU		PRIC	:E3		SALE	S INCOME	
YEAR CN	4T	BBL OIL	MCF GAS	BBL	OIL	NCF G	AS OIL	GAS		OIL S	GAS S	TOTAL S
2001	1	0	21,682		0	18,9	72 0.00	3.000		0	56,916	56,916
2002	1	0	34,258		C	29,9	76 0.00	3.000		0	89,927	89,927
2003	1	0	54,128		0	47,30	62 0.00	3.000		0	142,085	142,085
2004	1	0	60,452		0	52,89	96 0.00	3.000		0	158,687	158,687
2005	1	0	48,362		0	42,3	17 0.00	3.000		0	126,950	126,950
2006	1	0	38,689		0	33,85	53 0.00	3.000		0	101,560	101,560
2007	1	0	30,952		0	27,08	33 0.00	3.000		0	81,248	81,248
2008	1	Ø	24,761		٥	21,60	66 0.00	3.000		0	64,998	64,998
2009	1	0	19,809		0	17,3		3,000		0	51,999	51,999
2010	1	0	15,847		0	13,80		3.000		0	41,599	41,599
2011	1	C	12,678		0	11,09	0.00	3.000		0	33,279	33,279
2012	1	0	934		٥	8	17 0.00	3.000		0	2,452	2,452
2013	0	0	0		0		0 0.00	0.000		0	0	0
2014	0	O	0		0		0 0.00	0.000		0	0	0
2015	0	0	0		0		0 0.00	0.000		0	0	0
	0	0	0		0		0 0.00	0,000		0	0	0
TOT		٥	362,553		0	317,23		3.000		a	951,701	951,701
			,			- ,				·		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
•		EXPE	NSES	••••)	iet	OTHER	•••	• • • • • • • • • •	NET CASI	H FLOW	
YEAR	TAXES	MKTG	OPER	TOTAL	OPER	INCOME	COSIS		ANNUAL	CUMULATIVE	10.00 PCNT	DISCOUNTED
2001	5,236	7,589	65,951	78,776	-	21.860	219,000 C	- 2	40,860	-240,860	-238,266	-238,266
2002	8,273	•	56,361	76,624		13,303	0		13,303	-227,557	11,215	-227,051
2003	13,072	•	48,688	80,705		61,380	٥		61,380	-166,177	47,840	-179,211
2004	14,599		42,551	78,308		80,379	٥		80,379	-85,798	57,496	-121,714
2005	11,679		37,641	66,247		60,703	0		60,703	-25,095	39,480	-82,235
2006	9,344		33,712	56,597		44,963	0		44,963	19,868	26,589	-55,646
2007	7,475		30,570	48,878		32,370	0		32,370	52,238	17,407	-38,239
2008	5,980		28,056	42,702		22,296	0		22,296	74,534	10,904	-27,335
2009	4,784		26,045	37,762		14,237	0		14,237	88,771	6,335	-21,000
2010	3,827		24,436	33,809		7,789	0		7,789	96,560	3,157	-17,843
2011	3,062	•	23,149	30,648		2,632	0		2,632	99,192	977	-16,866
2012	226		1,879	2,432		20	0		20	99,212	7	- 16,859
2013	0		0	0		0	0		0	99,212	, Q	- 16,859
2014	0	_	ů	0		õ	ő		0	99,212	0	-16,859
2015	0		0	ů O		0 0	a		ů ů	99,212	a	- 16,859
2016	0	_	0	0		٥	a		0	99,212	a	-16,859
TOT	87,556		419,038	633,488	7	18,212	219,000		99,212	99,212	-16,859	-16,859
	01,550			033,400	-	10,212	277,000		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, <u>, , , , , , , , , , , , , , , , , , </u>	10,009	-10,009
PCNT DSC	NT	\$ VALUE										
0.00		99,212				BBL OIL	MCF GAS					
5.00		32,376	ULTIMAT	E GROSS		0	362,553					
10.00		-16,859	CUM PRO	GROSS		0	0		EFFECTI	VE DATE: JANUA	ARY 1, 2001	
12.00		-32,912	FUTURE	RES GROSS		0	362,553		LEASE I	D: 80		
15.00		-53,915	FUTURE	RES NET		0	317,234		LEASE N	AME: FC/PC TYP	PE WELL	
18.00		-71,829	GROSS M	ELL COUNT		0.000	1,000		WELL NA	ME:		
20.00		-82,331	NET WEL	L COUNT		0.000	1.000		STATE:	NEW MEXICO		
25.00		-104,481	INTERESTS						COUNTY	SAN JUAN		
30.00		-121,995	YR MO D	ILINT GA	SINT	WORKINT	TANGINT INTA	NGINT	FIELD:			
35.00		-136,019	1 1 0.8	75000 0.87	5000	1.000000	1.000000 1.0	00000	OPERATO	R: RICHARDSON		
40.00		-147,373				CONSERV/	TION DIVISION	N	RES CAT	: POSSIBLE UND	DEVELOPED NON	PRODUCING
ROR :	8.29	IROI: 0.45	L. L			e, New M		•	ECON LI	MIT: 1201		
PAYOUT :	5.58	EROI: 1.45	c		2643/	<u>12644</u> Co	ons. Ex. No. 1	1	RESERVO	DIR: FRUITLAND	COAL/PC	
				Richard		mitted by roduction	/: <u>n Company</u>					
				Hearing			il <u>19, 2001</u>					

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			2020
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PROPERTY RECORD Date: Completed: Y Time: Need update: N File: C:\SCAI\RICHARDS\EEMFILE.DAT -----BASIC INFORMATION------ESCALATED ITEMS----ID: 80 Related ID: Project: Date: 0012 AMOUNT ESC Lease name: FC/PC TYPE WELL Lease code: Oil price: Well name: Well code: Gas price: 3.000 2 Econ dt: 0501 3rd price: Field name: Mon costs: 4500 7 Operator: RICHARDSON BTU adj: County: SAN JUAN State: NM Per well: 1500 4 Res cat: 322 Econ rsk: Oil mktg: Maj prod: GAS Risk mthd: R Gas mktg: 0.400 4 Other id: RESERVOIR: FRUITLAND COAL/PC Comments: INTEREST DATA-----R T REVPOINT BURDEN OIL RE GAS RE WORKING TANG INTANG ENTY 0 0.875000 0.875000 1.000000 1.000000 1.000000 ------TAX DATA------WELL COUNT-----CUMULATIVES------ADV SEV VOL DATE COUNT ESC DATE Dollars: 0 oil: 0.09200 0.00000 0.000 1 OIL: Fill: Y GAS: Gas: 0.09200 0.00000 0.000 Date: 0101 ------ PRODUCT DECLINE DATA----- CTL P D H QI QT T VOLUME LS RTO HYP N P T BEG RATIO END RATIO ESC
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 110068
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 GEN 1425* 5621 36* 110068 1.5800* 0.000 GEN GLN N -----COST ITEMS-----DATE T AMOUNT ESC RSK DATE T AMOUNT ESC RSK DATE T AMOUNT ESC RSK 0101 C 219000

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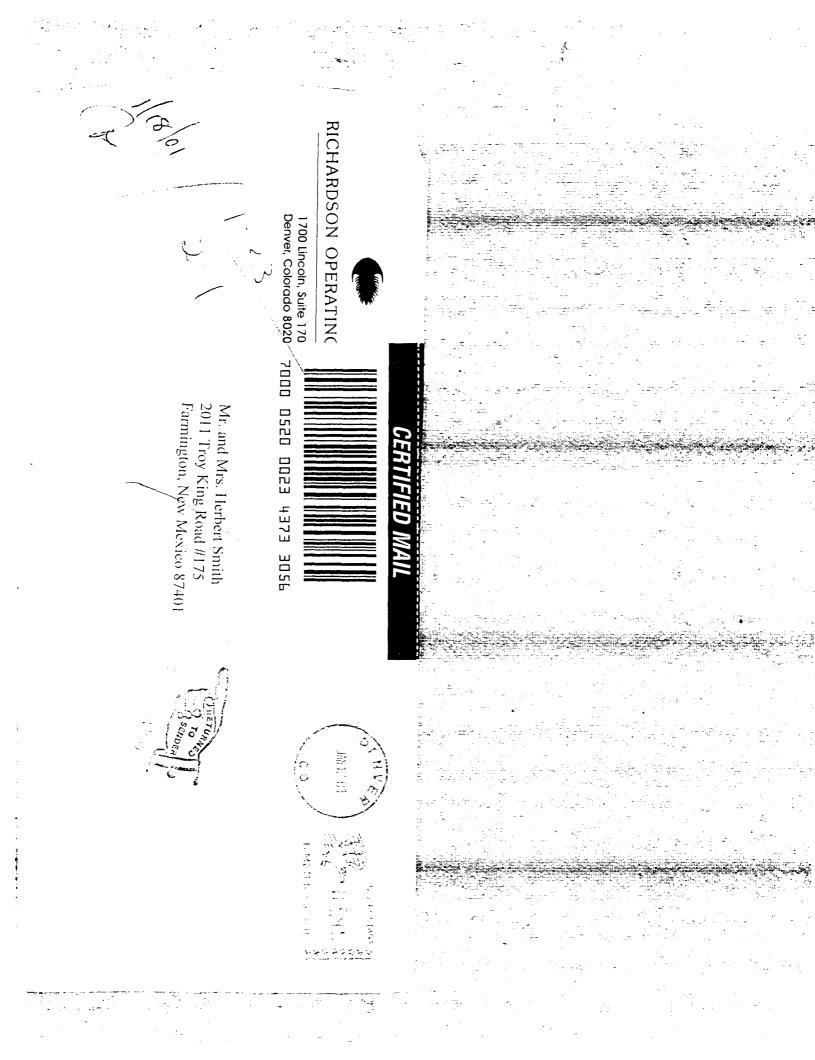
Exhibit 12

RICHARDSON PRODUCTION COMPANY ESTIMATED REMAINING RESERVES AND FUTURE NET INCOME CONSTANT PRICES AND COSTS - TYPE WELL ECONOMICS -- ROG-12/00-LEASE

	ELL -	GROSS PROD	UCTION	NE	T PRODUCTION		PRIC	E		SALE	S INCOME	
YEAR		BBL OIL	MCF GAS			FGAS	OIL	GAS		OIL \$	GAS \$	TOTAL \$
2001	1	0	41,534			6,342	0.00	3.000		0	109,026	109,026
2002	1	Q	35,304			0,891	0.00	3.000		0	92,672	92,672
2003	1	a	30,008			6,257	0.00	3.000		0	78,771	78,771
2004	1	0	25,507			2,318	0.00	3,000		ů ů	66,955	66,955
2005	1	0 0	21,681			8,971	0.00	3.000		a	56,912	56,912
2006	1	õ	18,429			6,125	0.00	3.000		a	48,375	
2007	•	0								-		48,375
	1		15,664			3,706	0.00	3.000		0	41,119	41,119
2008	1	0	13,315			1,650	0.00	3.000		0	34,951	34,951
2009	1	0	11,318			9,903	0.00	3.000		0	29,708	29,708
2010	0	0	0		0	0	0.00	0.000		0	0	0
2011	0	0	0		0	0	0.00	0.000		0 Î	0	U
2012	0	0	0		0	0	0.00	0.000		0	0	U
2013	0	0	0		0	0	0.00	0.000		0	0	0
2014	0	0	0		a	0	0.00	0.000		0	0	C
2015	0	0	o		0	0	0.00	0.000		٥	0	0
2016	٥	0	0		0	0	0.00	0.000		0	0	0
TOT		٥	212,758		0 18	6,163	0.00	3.000		0	558,490	558,490
					NET		OTHER				X FLOW	
YEAR	TAXE	EXPEN S MKTG	OPER	TOTAL	OPER INCOM		COSTS		NNUAL	CUMULATIVE		DISCOUNTED
I CAR	1446		OFER	TOTAL	OFCK INCOM	L	0013	<u>^</u>	ANGAL	CONGEXITYE	TO.CO PCAT	DISCONTED
2001	10,030	14,537	39,311	63,879	45,14	7 1	76,000 C	- 130	,853	-130,853	-131,649	-131,649
2002	8,520		35,049	55,931	36,74		, D		,741	-94,112	31,785	-99,863
2003	7,24		31,639	49,389	29,38		0		,382	-64,730	23,112	-76,751
2004	6,16		28,911	43,999	22,95		0		,957	-41,773	16,420	-60,331
2005	5,23	-	26,729	39,553	17,35		0		,359	-24,415	11,291	-49,041
2006	4,45	-	24,983	35,884	12,49		0		,491	-11,923	7,390	-41,651
2007	3,78		23,587	32,852	8,26		0		,267	-3,656	4,450	-37,201
2008	3,210		22,469	30,345	4,60		0		,606	950	2,259	-34,942
2009	2,73		21,575	28,270	1,43		0		,439	2,389	648	-34,295
2010	<i>د ، ، ع</i> (0	0		0	0	•	0	2,389	0	-34,295
2011	(0	0		0	0		õ	2,389	0	-34,295
2012		, , , , , , , , , , , , , , , , , , ,	0	0		0	0		0	2,389	0	-34,295
			0	0		0	0		0		0	-34,295
2013							0			2,389		
2014			0	0		0	0		0	2,389	0	-34,295 -34,295
2015			0	u o		0	0		0	2,389	0	
2016			0	0		0	0	-	0	2,389	0 - 34, 295	- 34 , 295 - 34 , 295
TOT	51,38	1 74,465	254,255	380,102	178,38	A 1	76,000	2	,389	2,389	- 34,293	- 34,273
PCNT (DSCNT	S VALUE										
0.0		2,389			881 O	IL	MCF GAS					
5.0	00	-18,199	ULTIMAT	GROSS		0	212,758	1				
10.0		-34,295	CUM PRO			0	. 0)	EFFECTI	VE DATE: JANU	ARY 1, 2001	
12.0		-39,762		RES GROSS		0	212,758		LEASE I		·	
15.0		-47,114	FUTURE			0	186,163			AME: PC TYPE	WELL	
18.0		-53,593		ELL COUNT	0.0	00	1.000		WELL NA			
20.1		-57,494	NET WEL		0.0		1.000)	STATE:	NEW MEXICO		
25.0		-66,020	INTERESTS						COUNTY:	SAN JUAN		
30.0		-73,113		LINT G	SINT WORK	INT	TANGINT INTA		FIELD:			
35.0		-79,084					.000000 1.0			R: RICHARDSON		
40.1		-84,159								: POSSIBLE UN	DEVELOPED NON	PRODUCING
ROR:		IROI: 0.01	3 E				N DIVISION			MIT: 0912		
		EROI: 1.01	-		nta Fe, New 643/12644					IR: PICTURED	CLIFFS	
			Ca	ise Nos. <u>12</u>	Submitted		LA. 1107 12					
					son Product	ion Co	ompany 9, 2001					
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E WELL SAN JUAN			2019 2019 2020
10: 81 LEASE: PC TYP F LELU: OPERATOR: MJCHARUSON SIATE: NM COUNTY: COMMENTS:			2013 2014 2015 2015
			2010 2011 2012
			2006 2007 2008 2009
			2003 2004 2005
	000L 000L	1986 1986 1986 1986 1986	2001 2002

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	INRICHARDS EEMP	LE.DAT		40	paul	-•
••••	BASIC]	FORMATION	• • • • • • • • • • • • •			
		D: Projec		Date: 0012		ES
	PC TYPE WELL		code:	Oil price:		
Well name:			ode:	Gas price:	3.000	
Field name:		Econ d	t: 0106	3rd price:		
•	RICHARDSON	BTU ad	-	Mon costs:		
County:	SAN JUAN	State:	NM	Per well:	1500	
Res cat:	322	Econ r	sk:	Oil mktg:		
Maj prod:			thd: R	Gas mktg:	0.400	
	RESERVOIR: PICT					
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RICHARDSON PRODUCTION COMPANY

1700 L'hobin, Suite 1700 Denver, Calarado 30203 (303) 330-5000 Fax (303) 330-8009

January 11, 2001

not on MSNI while pose. Internet not in Farmington phone low c

Mr. and Mrs. Herbert Smith 2011 Troy King Road #175 Farmington, New Mexico 87401

Certified Mail 7000 0520 0023 4373 3056

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO =8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Smith:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3825 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Herbert Smith January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in propo herewith.	sed drilling and completion attempt, executed AFE is returned
		Bas Lease for \$30.00 per net mineral acre, with lease to provide hary term and 12.5% royalty in the event of production.
	Sell mineral rights f	For \$70.00 per net mineral acre.
By:		

Printed Name:

. . . . AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coai 1000' Pictured Cliffs

Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

١.	Drilling Costs (Included Run Cas		Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits			3,000		1.500	1.500
	Title Opinion			3.000		1,500	1,500
•	Drilling (incl. water and mud) 100	00'@15.00/ft.		15,000		5,375	3.625
	BOP Rental			750	1	375	375
	Dirt Work			4,000	1	2.000	2.000
	Pit Lining.		i	2.800		100	1,100
	Surface Casing 200' @ 7.18/ft.		1,436		1	718	718
	Casing Head		1,500			750	750
	Cement Surface		1,500	2,300		1.150	
	Power Tongs			1,000		1	1,150
			5 500	000		500	500
	Casing 1000' @ 5.50/ft.		5.500	2 2 2 2		2.338	3,163
	Trucking			3.000		1,500	1,500
	Logs·····			3.750)		1.875	1.875
	Engineering			5.000	1	2,500	2.500
	Cement Longstring			4.0001	i i	1.700	2.300
	Total Cost to Run Casing		8.436)	47,6001	56.0361	26,181	29,856
	5.9375% Farmington, NM T				3,327	1.554	1,773
	10% Contingency				5.9361	2.773	3.163
	Grand Total to Run Casing			<u> </u>	55,2991	30.508	34.791
••					22.233	30.508	34.791
11.	Completion Costs			754			
	Rig Anchors			750	ļ	375	375
	Logs			3.0001	:	1,500	1.500
	Perf			3,500i	1	1.750	1,750
	Wellhead & Fittings		4.000	,		2,000	2,000
	Tubing 1000' @ 2.50/ft.		2.500			1.063	1,438
	Stimulation			42.000	1	21,000	21,000
	Tool Rental			2,3001	1	1.150	1,150
	Trucking			3,000		1,500	1,500
	Battery installation		1	6.000		3.000	3.000
	Restore Location			3,500		1.750	1,750
	Engineering		5 200	5.8001	1	2.900	2,900
	Treator, Separator		5.300			2.650	2,650
	Flowline		4.000	1		2.000	2.000
	Tank & Fittings		4.500		i.	2.250	2,250
	Gravel			3,0001	į	1.500	1.500
	Workover Rig			10,000)		5,000	5,000
	Completion Faulds			2,000	1	1.000	1,000
	Pipeline Hookup			13,000	1	6.500	6,500
	Division Order Opinion	• • • • • • • • • • • • • •		1,500	1	750	750
	Frac Tank Rental			2,500	1	1.250	1,250
	Fowback			2,000	1	1,000	1,000
	Fence Location		3.300	2,000		1.650	1.650
	Total Completion Costs		23.500	103.850	127,450	63.538	63,913
			25.500	103.3001			3,795
	5.9375% Farmington, NM T		1		7.567	3.773	
	10% Contingency				13.502	6,731	5,771
	Drilling Costs			 	65.2991	30.508	34.791
	Grand Total Well Costs				213.819	104.550	109,269
FRUITLAND	COAL						
	RICHARDSON OPERATING COLET AL	DATE	APPROVED				\$104425
	HERBERT SMITH	DATE	APPROVED				\$125
	EVELYN SMITH	DATE	APPROVED				
						FC TOTAL	\$104550
PICTURED			10000100				\$109008
	RICHARDSON OPERATING CO ET AL	DATE	APPROVED APPROVED				\$261
0.23300%	; HERBERT SMITH EVELYN SMITH	DATE	APPROVED				JEUI
		2012 <u></u>				PC TOTAL	\$109269
1				HERBERT & EVELYN			\$386

OIL AND GAS LEASE

2001 , by and between 11th day of THIS AGREEMENT. Made and entered into this January

Herbert Smith and Evelyn Smith, husband and wife, as joint tenants Whose post office address 2011 Troy King Road #175, Farmington, New Mexico 87401 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 <u>Ten and more (\$10 & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements heremafter contained, has granted, denised, leased and let, and by these presents does grant, denise, lease and let exclusively into 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M.

Lot Two (2) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing <u>0,765</u> acres, more or less.

* three (3) 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 tiom 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 than engaged in drilling or re-working operations thereon, then this on or gas is not being produced on the leased premises of on archage pooled therewith our resset is than engaged in driting of re-working operations thereon, then this lease shall 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 expiration of terms expiration of the primary terms expiration terms terms expiration terms terms expiration terms

 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 limes 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 refeases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

 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 and thereafter on or before the anniversary date of this lease during the period such well is shut in a 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 individed the circuit therein.

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 piper 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 bary for damages quest by Lessor is operation; to arriving group on said premises without written consent of Lessor.

 9. 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.
 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 tille from Lessor, than then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on lessee. 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 righ

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 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 available to the production of oil whether there for the producting are more there and the unit and upon which an under the there are been completed in upon which and upon which here a therefore been completed. Production of such unitization or reformations are therefore been completed in a upon which and upon which and the production of the production defined production defined production. a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut In for wait 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 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, I essor 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. 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 aflocated to any particular of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production aflocated to any particular 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

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 hereinabove 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 here it is lease in the provisions of 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.

Herbert Smith

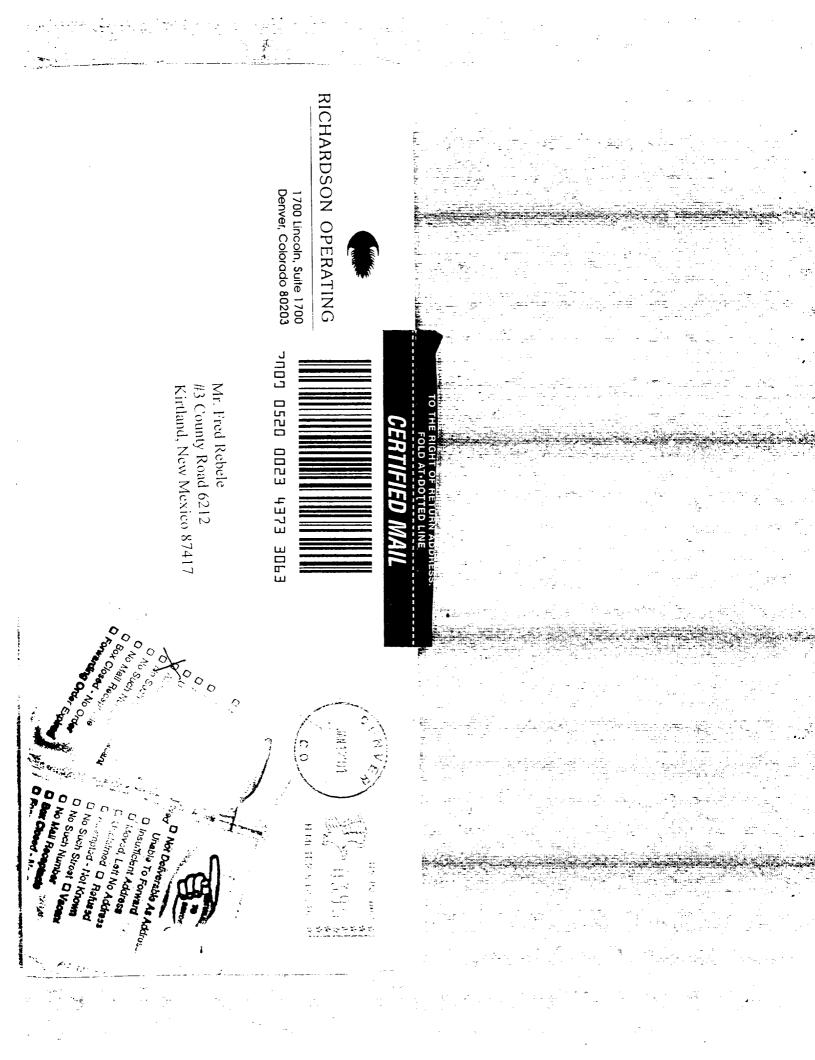
Evelyn Smith

SSH All signatures must be notarized on the back side of the lease form SSI

COUNTY OF	16	Acknowledgment - Individual(s)
COUNTY OF		
		Public, in and for said County and State, on thisday of
and , 2000, pers	sonany appeared	
to me known to be the identic	al person(s) describ	bed in and who executed the within and foregoing instrument of writ
		ly executed the same as free and voluntary act and deed for
uses and purposes therein set	forth.	
IN WITNESS WHE	REOF, I have hereu	nto set my hand and affixed by notarial seal the day and year last ab
written.		
My Commission Expires:		
wy commission expires.		
		Address:

STATE OF	}	
	18	Acknowledgment ~ Partnership/Trust
COUNTY OF	}	
REFORM My the under	ersigned a Notary P	Jublic in and for said County and State on this day of
		Public, in and for said County and State, on this day o
, 2 asof	000, personally app	peared
as, 2 asof to me known to be the identica	000, personally app al person(s) describe	ed in and who executed the within and foregoing instrument of writ
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RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Derver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

Not in white porces Man Seann

Mr. Fred Rebele #3 County Road 6212 Kirtland, New Mexico 87417 Print (a shirts preas 200-

Certified Mail 7000 0520 0023 4373 3063

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Rebele:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3795 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Fred Rebele January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in prop herewith.	osed drilling and completion attempt. executed AFE is returned
		Gas Lease for \$30.00 per net mineral acre, with lease to provide mary term and 12.5% royalty in the event of production.
	Sell mineral rights	for \$70.00 per net mineral acre.
By:		

Printed Name:_____

AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coai 1000' Pictured Cliffs

Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

FRED REBELE TOTAL

\$383

t.	Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits		3.000		1.500	1.500
	Title Opinion · · · · · · · · · · · · · · · · · · ·		3.0001		1.500	1.500
	* Drilling (incl. water and mud) 1000' @ 15.00/ft		15.000		6.375	8,625
	BOP Rental		750		375	375
	Dirt Work		4.000		2.000	2 000
	Pit Lining.		2.800	1	: 400	1,400
	Surface Casing 200' @ 7.18/ft.	1.436	1		718	718
	Casing Head	1.500			750	750
	Cement Surface		2,300		1.150	1,150
	Power Tongs		1,000		500	5001
	Casing 1000' @ 5.50/ft.	5,500			2.338	3.163
	Trucking		3,000		1.500	1,500
	Logs		3,750		1.875	1,375
	Engineering		5,0001		2.500	2,500
	Cement Longstring		4.000		1.700	2.300
		3.436	47,600	56.0361	26.181	
	Total Cost to Run Casing-	0.430	47,600			29,856
	5.9375% Farmington, NM Tax			3.3271	1.554	1.773
	10% Contingency			5.9361	2.773	3.163
	Grand Total to Run Casing			65.299	30.508	34.791
11.	Completion Costs					
	Rig Anchors		750	1	375	375
	Logs		3.000		1.500	1.500
	Perf.		3.500i		1.7501	1.750
	Wellhead & Fittings	4 000	:		2.0001	2.000
	Tubing 1000' @ 2 50/ft.s	2.500			1.063	1,438
	Stimulation		42,000		21.000	21,000
	Tool Rental		2,300		1.150	1,150
	Trucking		3.0001		1.500	1.500
	Battery Installation		6.00Cİ	,	3.0001	3.000
	Restore Location		3,5001		1.750	1.750
	Engineering		5,800		2,900	2.900
	Treator, Separator	5.300			2.650	2.650
	Flowline	4,000			2.000	2.000
	Тапк & Fittings	4,500			2,250	2.250
	Gravel.		3,0001	i	1.500	1.500
	Workover Rig		10,000		5,000	5,000
	Completion Fluids		2,0001		:	1,000
	Pipeline Hookup		13,000		5.500	5.500
		ļ	1,500		750	750
	Frac Tank Rental		2,500		1.250	1,250
	Flowback		2,0001		1.0001	1.000
	Fence Location	3.300	_,		1.550	1.650
	Total Completion Costs	23,500	103.850	127,450	53.538	63,913
	5.9375% Farmington, NM Tax	20,000	100.000	7.567	3.773	3,795
	10% Contingency	!		13,502	5.731	6,771
	Drilling Costs			65.299		34.791
	-				30.508	the second se
	Grand Total Well Costs		h-section in the section of the sect	213.319	104 5501	109.269
FRUITLAN		VERSOUSS				\$104426
	% RICHARDSON OPERATING CO ET AL DATE	APPROVED APPROVED				\$104426
5.1100.					FO TOTAL	\$104550
PICTURE	D CLIFFS					
	% RICHARDSON OPERATING CO ET AL DATE	APPROVED				\$109010
0.23719	1% FRED REBELE CATE	APPROVED			PC TOTAL	\$259 \$109269
					AURU MU	2103203

OIL AND GAS LEASE

	THIS AGREEMENT, Made and entered into this	Lith	day of	January	2001 by and between
Fred Rebele, a married man, dealing in his sole and separate property	Fred Rebele, a marrie	ed man, deatin	g in his sole	e and separate pro	perty

hereinafter called Lessor (whether one Whose post office address #3 County Road 6212, Kirtland, New Mexico 87417 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 <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M.

Lot Three (3) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing <u>0.7590</u> acres, more or less. * three (3)

Let is agreed that this lease shall remain in force for a term of $\frac{fire(S)}{fire(S)}$ 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 than 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 I essee covenants and agrees

Ist. 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 Dullar per year per net royalty acceretained 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 acter relained hereinder, such payment or lender 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 shift-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 mearer than 200 feet to the house or barn now on said premises without written consent of Lessor
9. Lessee shall have the right or damages coursed by Lessor is operations to growing cross on said land.

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 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, than 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 with other land, lease or leases in the immediate vicinity for the production of on and gas, in separately for the production of ender, when in the leases in the immediate vicinity is not gas, in separately for the production of ender, when in the lease is 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking 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 or reworking 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 or reworking 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 or reworking 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 or reworking 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 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 I aws, 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 Lesson 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 hereinabove 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 In the training on the heirs, successors and assigns of Lessor and Lessee
 IN WITNESS WHEREOF, this instrument is executed as of the date first above written

Fred Rebele

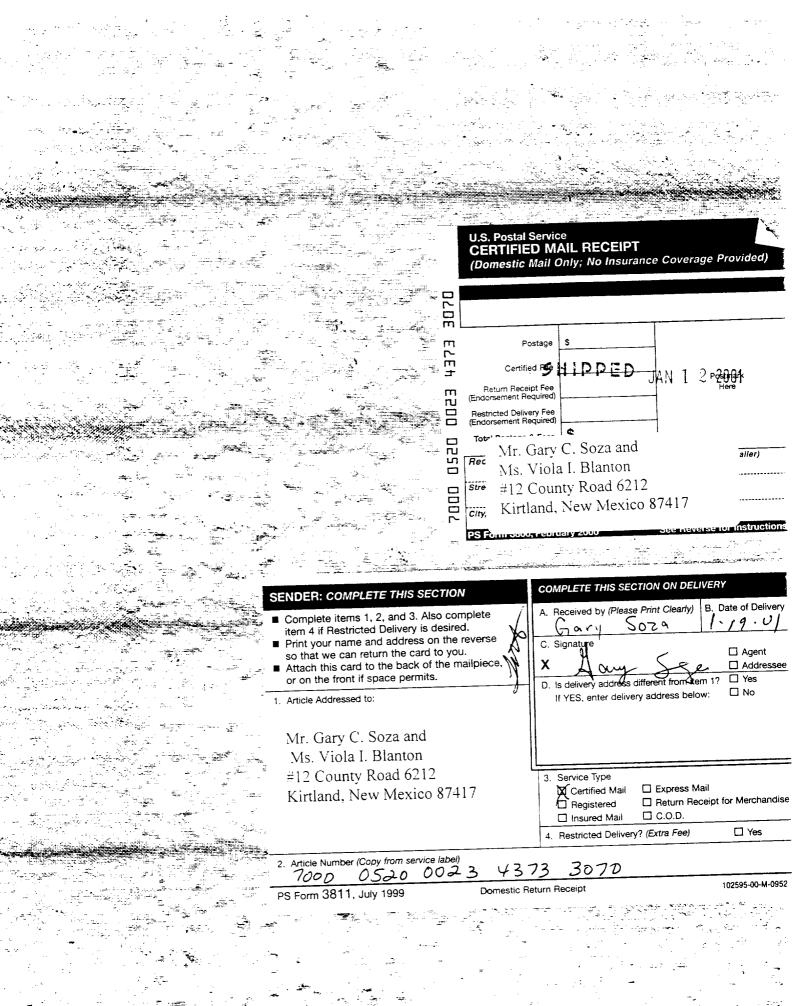
SSH

STATE OF		And and and the Berlin of China	
COUNTY OF	}§ Ackno: _}	vledgment - Individual(x)	
, 2000, personally	appeared	for said County and State, or	
and to me known to be the identical pers	au(r) described in and whe	avacuted the within and fore	aging instrument of writing
and acknowledged to me that uses and purposes therein set forth.	duly executed th	e same as free and	going instrument of writing voluntary act and deed for th
IN WITNESS WHEREOF, written.	I have hereunto set my ha	nd and affixed by notarial sea	l the day and year last above
My Commission Expires:			
· ·		Address:	
STATE OF			
COUNTY OF	}§ Acknov }	vledgment - Partnership/Tru	ist.
BEFORE ME, the undersigne , 2000, pe asof	d, a Notary Public, in and ersonally appeared	for said County and State, on	this day of
asof			
to me known to be the identical perso and acknowledged to me that uses and purposes therein set forth.	on(s) described in and who	executed the within and fore	going instrument of writing
IN WITNESS WHEREOF, written.	I have hereunto set my hai	nd and affixed by notarial seal	the day and year last above
My Commission Expires:			
		Address:	
STATE OF	} }§	ledgment - Corporation	
 COUNTY OF	}\$ Acknow	ieagmeni - Corporation	
BEFORE ME, the undersigned to me personally known who being b of and that said instrument was signed a acknowledge said instrument to be th	y me duly sworn did say th and that the seal affixed to ind sealed in behalf of said	said instrument is the corport l corporation by authority of	rate seal of said corporation
Sworn to and subscribed be	fore me, thisday of		

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My commission Expires:

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2-7-01 Answered hus quatting Answered hus quatting He had talled with an atterney (Rick Tuily) decided to be poold into well kecause g small size g interest 1700 Uncoln, suite 1700 Eacuse g small size g interest 1700 Uncoln, suite 1700 Denver, Colorado 80203 (303) 830-8000 FAX (303) 830-8009 FAX (303) 830-8009

January 11, 2001

(55) 578-0735

Mr. Gary C. Soza and Ms. Viola I. Blanton #12 County Road 6212 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 3070

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Soza and Ms. Blanton:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.375 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Soza and Ms. Blanton January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colla

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in pr herewith.	oposed drilling and completion attempt. executed AFE is returned
		nd Gas Lease for \$30.00 per net mineral acre, with lease to provide primary term and 12.5% royalty in the event of production.
	Sell mineral rig	hts for \$70.00 per net mineral acre.
By:		

Printed Name:

RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coal 1000' Pictured Cliffs

Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

1.	Drilling Costs (Included Run Casin	g)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits	• • • • • • • • • • • • •		3,000		1,500	1,500
	Title Opinion			3,000		1,500	1,500
	* Drilling (incl. water and mud) 1000	'@15.00/ft.···		15,000		6,375	8,625
	BOP Rental			750		375	375
	Dirt Work			4,000		2,000	2,000
	Pit Lining			2,800		1,400	1,400
	Surface Casing 200' @ 7.18/ft.		1.436			718	718
	Casing Head		1,500			750	750
	Cement Surface			2.300		1,150	1,150
	Power Tongs			1.000		500	500
	Casing 1000' @ 5.50/ft.		5,500			2,338	3,163
			0,000	3,000		1,500	1,500
				3,750		1,875	1,875
	Engineering			5,000		2,500	2,500
	5 5			4,000		1,700	
	Cement Longstring		0.400		56.000		2,300
	Total Cost to Run Casing		8,436	47,600	56,036	26,181	29,856
	5.9375% Farmington, NM Tax				3.327	1,554	1,773
	10% Contingency				5,936	2,773	3,163
	Grand Total to Run Casing				65,299	30,508	34,791
11.	Completion Costs					}	
	Rig Anchors			750		375	375
	Logs			3.000		1,500	1,500
	Perf			3,500		1,750	1,750
	Wellhead & Fittings		4,000	0,000		2,000	2,000
	Tubing 1000' @ 2.50/ft.		2,500			1,063	1,438
	Stimulation		2,000	42,000		21,000	21,000
	Tool Rental			2.300		1,150	1,150
	-			3,000		1,500	1,500
	Battery Installation		-	6.000		3,000	3,000
	Restore Location			3.500		1,750	1,750
	Engineering			5.800		2,900	2,900
	Treator, Separator		5.300			2,650	2,650
	Flowline		4,000			2,000	2,000
	Tank & Fittings		4,500			2,250	2,250
	Gravel			3,000		1,500	1,500
	Workover Rig-			10,000		5,000	5,000
	Completion Fluids			2,000		1,000	1,000
	Pipeline Hookup			13,000		6,500	6,500
	Division Order Opinion			1,500		750	750
	Frac Tank Rental			2,500		1,250	1,250
	Flowback			2,000		1,000	1,000
	Fence Location		3,300			1,650	1,650
	Total Completion Costs		23,600	103.850	127,450	63,538	63,913
	5.9375% Farmington, NM Tax		20,000	105.000	7,567	3,773	3,795
	10% Contingency		1				
	<u> </u>				13,502	6,731	6,771
	Drilling Costs				65,299	30,508	34,791
	Grand Total Well Costs				213,819	104,550	109,269
ICTURE	CLIFFS						
99.76563	% RICHARDSON OPERATING CO ET AL	DATE	APPROVED				\$104304
0.23438	% GARY C. SOZA	DATE	APPROVED				\$245
	VIOLA I. BLANTON	DATE	APPROVED				
						PC TOTAL	\$104550
	% RICHARDSON OPERATING CO ET AL	DATE	APPROVED				\$109141
	% GARY C. SOZA	DATE	APPROVED				\$128
	VIOLA I. BLANTON	DATE	APPROVED				
						FC TOTAL	\$109269
							\$272

GARY SOZA & VIOLA BLANTON TOTAL

\$373

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this	11th	day of	January	, 2001 , by and between
Gary C. Soza, an unmarried ma	an, and Viola	I. Blanton,	a single woman,	, as joint tenants
Whose post office address is#12 County Road 6212, Kirtland	d, New Mexico	87417		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 <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>, State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M

Lot Four (4)) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessor's written consent.

and containing 0.75 acres, more or less. * three (3)

1 It is agreed that this lease shall remain in force for a term of fire (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 than 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

 operations for the drifting of a subsequent well. If after discovery of oil or gas on sale land or on accesse pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drifting 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 shall continue in force so long as oil or gas is produced from the leased premises or on accesse pooled therewith
 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 access accessed 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 accessed accessed and the primary term. 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 toyalty 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 [I] such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

. 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)

beto 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 harn now on said premises without written consent of Lessor.

 For set shall pay for damages caused by Lessee's operations to growing crops on said land.
 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.
 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 that 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, than 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 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 therefore been completed or upon which operations for drilling have therefore been commenced. Production, drilling or reworking operations or a well shut to be the formation of the production of the dual to the production of the best of the top of the best of the production of a well shut a well has therefore been completed or upon which operations for drilling have therefolore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut in for want of a market under this lease. In lieu of the royaltics elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production 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 and doublewent to constrain a of davelopment or operation and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such and doublewent terms in a of davelopment or operations and provisions of the advented provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such any davelopment or operation approved by any double plan davelopment and davelopment terminate any davelopment and davelopment and and positions, 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 hereinabove 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, updersing or the parties who do execute 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

Gary C. Soza

Viola I. Blanton

SSH

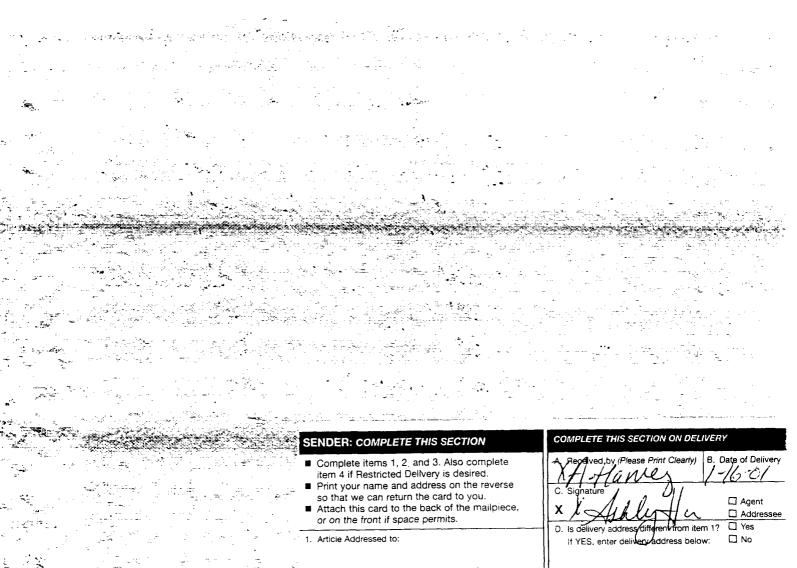
All signatures must be notarized on the back side of the lease form.

SS#

STATE OF] }§	
COUNTY OF		
, 2000, personally	ed, a Notary Public, in and for said County and State, on this appeared	
and	on(s) described in and who executed the within and foregoing instru- duly executed the same as free and voluntary ac	ument of writing and deed for the
IN WITNESS WHEREOF, written.	I have hereunto set my hand and affixed by notarial seal the day and	d year last above
My Commission Expires:		
	Address:	
STATE OF		
COUNTY OF	<pre>}\$ Acknowledgment - Partnership/Trust }</pre>	
o me known to be the identical person and acknowledged to me that uses and purposes therein set forth.	ersonally appeared	iment of writing it and deed for the
	Address:	

COUNTY OF	} }§ Acknowledgment - Corporation	
o me personally known who being b if nd that said instrument was signed a	d authority, this day personally appeared y me duly sworn did say that he is the and that the seal affixed to said instrument is the corporate seal of s and sealed in behalf of said corporation by authority of its Board o be free act and deed of said corporation.	aid corporation
-	fore me, thisday of, 2000.	
Ay commission Expires:		

4



Conseco Fina 111 Lomas B Suite 500 ĽĎ Albuquerque

oulevard, N.W.,			
New Mexico 87102	3. Service Type Certified Mail Registered	Express Mail Return Rece C.O.D.	ipt for Merchandise
	4. Restricted Deliver	y? (Extra Fee)	☐ Yes

2. Article Number	Copy from se 0520	ou23	4373	3087
PS Form 3811	July 1999	Do	mestic Return Rec	eipt

102595-00-M-0952



RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Denver, Colorado 30203 (303) 330-3000 Fax (303) 830-3009

January 11, 2001

505) 242-1300

Conseco Finance Servicing Corp. 111 Lomas Boulevard, N.W., Suite 500 Albuquerque, New Mexico 87102

Certified Mail 7000 0520 0023 4373 3087

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Gentlemen:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.375 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3well will be located in the SW/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

2-7.01 2-10. Schn Mc Laren X 205 And These Bonnet

Conseco Finance Servicing Corp. January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Collaz

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in p herewith.	proposed drilling and completion attempt, executed AFE is returned
		and Gas Lease for \$30.00 per net mineral acre, with lease to provide primary term and 12.5% royalty in the event of production.
	_ Sell mineral rig	ghts for \$70.00 per net mineral acre.
By:		

Printed Name:_____

Weil Name: ROPCO #8-3_SECTION 8 _ PC SW 14, FC S/2 _ Proposed Depth: 350' Fruitiand Coal 1000' Protured Cliffs

Date: 01/11/2001 Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

I. Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
Survey and Permits		3.0001		1.500	1,500
Title Cannon		3.000		1.500	1,500
 Drilling (incl. water and mud) 1000' @ 15.00/ft. 	1	15,000		6.375	8.62
BOP Rental		750		375	375
Dirt Work		4.000		2.000	2,00
Pit Lining-		2.800		1.400	1,-00
Surface Casing 200' @ 7.18/ft.	1,436			718	71
Casing Head	1,500			750	75(
Cement Surface	1.500	2,300		1,150	1.150
Power Tongs.		1.000		500	
Casing 1000' @ 5.50/ft.	= = = 0 0	1.000		1	500
	5.500	2 000		2.338	3,16
		3,000		1.500	1.500
Logs	ļ	3.750		1.875	1,87
Engineering		5.000		2.500	2.500
Cement Longstring.		4.000		1.700	2.300
Total Cost to Run Casing	8,436)	47 600	56,036)	26.181	29.856
5.9375% Farmington, NM Tax			3.327	1,5541	1,773
10% Contingency	1		5 936	2 773	3.163
	1		and the second se		and the second
Grand Total to Run Casing	· (65.299	30,508	34.79
1. Completion Costs	İ				
Rig Anchors	1	750		375	375
Logs	1	3,000		1.500	1,500
Perf		3,5001		1 750!	1,750
Weilhead & Fittings	÷.0601			2.0001	2,000
Tubing 1000' @ 2.50/ft.	2.5001		1	1.363	1,438
Stimulation		42.000i		21,000	21,000
Tool Rental		2,3001		1.150	1,150
Trucking		3,000		1.500	1,500
Battery installation		6.000		3.000	3,000
Restore Location		3,5001		1,750	1.750
]	5,8001			
	= 200	3.600		2.900	2,900
Treator, Separator	5.300			2.650	2.650
Flowine	4.000			2.000	2.000
Tank & Fittings	4.500			2.250	2,250
Gravel		3.000		1,500	1,500
Worкover Rig		10,0001		5.000	5,000
Completion Fluids		2,000		1.000	1.000
Pipeline Hookup		13.000		5.500	6,500
Division Order Opinion		1,500		750,	750
Frac Tank Rental		2,500		1.250	1.250
Flowpack		2,000		1.000	1,000
Fence Location	3.300	2.000		1.550	1,650
	الواقا والشريقة فبجري ويتجرب والقصي	102.050	103 150		
Total Completion Costs	23.600	103.850	127 450	63.538	63,913
5.9375% Farmington, NM Tax	l		7.567	3.773	3.795
10% Contingency		i	13.502	5.731	6.771
Drilling Costs			55.2991	30.508	34.791
Grand Total Well Costs			213.8191	104.5501	109.269
					\$10442
LAND COAL	APPROVED				
FLAND COAL S281% RICHARDSON OPERATING CO ET AL DATE 3281% RICHARDSON OPERATING CO ET AL DATE 1719% CONSECO FINANCE SERVICING CORP DATE	APPROVED APPROVED				\$123
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TLAND COAL 3281% RICHARDSON OPERATING CO ET AL DATE 1719% CONSECO FINANCE SERVICING CORP DATE JRED CLIFFS	APPROVED			C TOTAL	\$123 \$104550 \$109013 \$256 \$109265

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this Eth _day of____January___ 2001 by and between

Conseco Finance Servicing Corp.

Whose post office address is 111 Lomas Boulevard, N.W., Suite 500, Albuquerque, New Mexico 87102

called Lesson (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 <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to with

Township 29 North - Range 14 West, N.M.P.M.

Lot Five (5)) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

hereinafter

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing .75 acres, more or less

* three (3)

⁺ three (3)

 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, 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 than 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 ecase from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working 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.
 This is a PAID-UP LEASE. In consideration of the down eash 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 surface this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lesser ore by filing for record a release, and be reliveed of all oblig

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

 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

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 acter 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 put in and therefore mere the fore the pay date of this lease next ensuing after the expiration of 90 days from the date such well is put in and therefore the such equivalent of the premisers or used in well is public work on the date such well is put in and therefore the such equivalent of the premiser of the public expiration of 90 days from the date such well is put in and therefore the such equivalent of the premiser of the public expiration of the public expiration of 90 days from the date such well is put in and therefore the such equivalent to the public expiration of 90 days from the date such well is put in and therefore the such equivalent to the public expiration of 90 days from the date such well is put in and therefore the such equivalent to the public expiration of 90 days from the date such well is put in any the public expiration of 90 days from the date such well is put in any the public expiration of 90 days from the date such well is put in the date such the public expiration of 90 days from the date such well is public expiration the date suc acter retained hereinder, 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.
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9. Lessee chall bary the drilled nearer than 200 feet to the house or barn now on said premises without written consent of 1 essor.

 For some shall pay for damages caused by Lessee's operations to growing crops on said land
 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
 The rights of 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, than 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 hable 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

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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 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 hads 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 mo 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 hereinabove 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 it as Lessor. The word "Lessor" as used in this rease, shift mean any mean The mean any mean

President

Tax LD. Nol:

Secretary

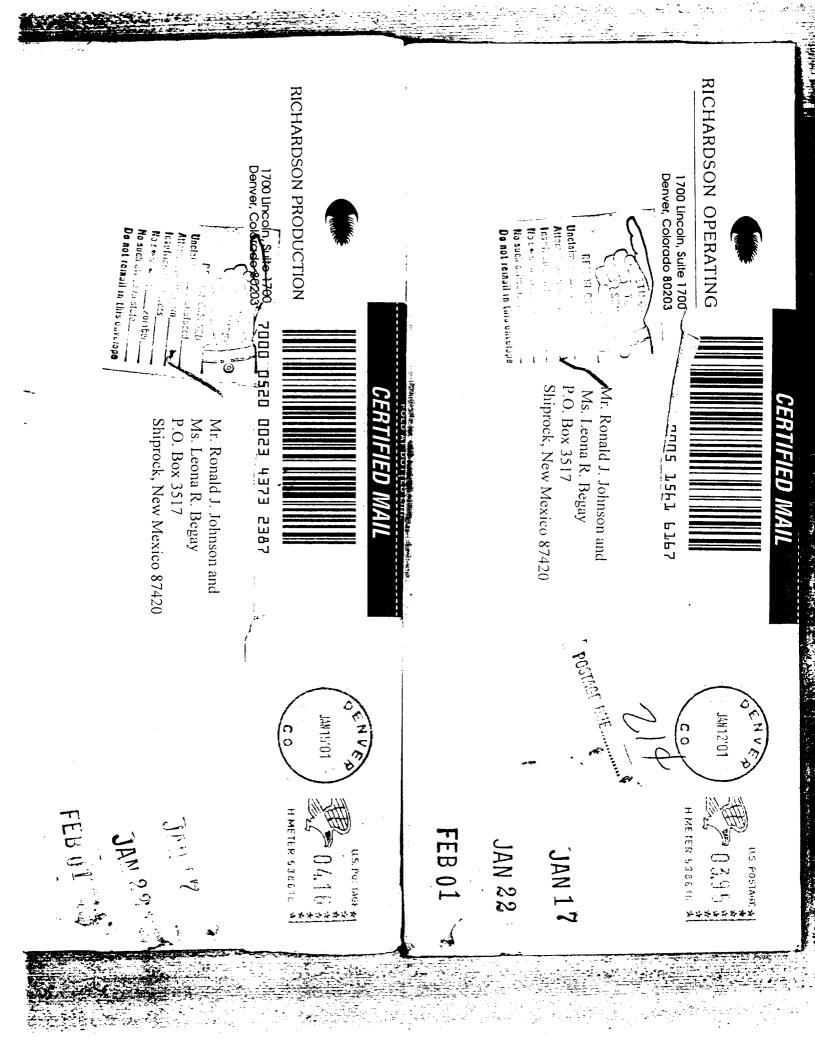
COUNTRY OF	19	Acknowledgment - Individual(s)	
COUNTY OF			
BEFORE ME, the une, 2000, pe	dersigned, a Notary rsonally appeared _	y Public, in and for said County and State, on this ibed in and who executed the within and foregoing instru	day of
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IN WITNESS WHI written.	EREOF, I have here	eunto set my hand and affixed by notarial seal the day and	year last above
My Commission Expires:			
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STATE OF			
COUNTY OF]§]	Acknowledgment - Partnership/Trust	
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My commission Expires:

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RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Denver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

not on man white pages not in Farmington phone lok directory assistance: R. Johnson non published

Mr. Ronald J. Johnson and Ms. Leona R. Begay P.O. Box 3517 Shiprock, New Mexico 87420-3517

Certified Mail 7099 3220 0005 1561 6167

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Johnson and Ms. Begay:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.436 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Johnson and Ms. Begay January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colling

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in pr herewith.	oposed drilling and completion attempt, executed AFE is returned
		nd Gas Lease for \$30.00 per net mineral acre. with lease to provide primary term and 12.5% royalty in the event of production.
	Sell mineral rig	hts for \$70.00 per net mineral acre.
By:		

Printed Name:_____

MUMALOUN OF LIMING OUT A AND AUTHORITY FOR EXPEDITURES

Weil Name: ROPCO =8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 350' Fruitland Coa. 1000' Pictured Cliffs Location: T29N R14W

Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitiand Coal

۱.	Drilling Costs (Included Run Casin	g)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits			3,0001		1.500	1,500
	Title Opinion			3.000/		1,500	1,500
	Drilling (incl. water and mud) 1000	°@15.00/ft		15,000		5.375	8.625
	BOP Rental	-		750		375	375
	Dirt Work			4,000		2,000	2,000
	Pit Lining			2,800		1,400	1,400
	Surface Casing 200' @ 7.18/ft.		1,436	2,0001		718	718
	Casing Head		1,500			750	
	Cement Surface		1,000	2 200			750
				2,300		1.150	1,150
	Power Tongs			1,000		500	500
	Casing 1000' @ 5.50/ft.		5.500			2.338	3,163
	Trucking-			3,000		1.500	1,500
	Logs			3,750		1.375	1.875
	Engineering-			5,000		2.500	2,500
	Cement Longstring			4,000		1.700	2,300
	Total Cost to Run Casing		8.4361	47,6007	56.0361	26.181	29,856
	5.9375% Farmington, NM Tax				3.327	1,554	1.773
	10% Contingency				5.936	2,773	3.163
					·		
	Grand Total to Run Casing				65.299	30.508	34,791
11.	Completion Costs			1			
	Rig Anchors			750		375	375
	Logs			3.000)		1,500	1.500
	Peri			3.5001		1.750	1,750
	Wellhead & Fittings		4.000			2,000	2,000
	Tubing 1000' @ 2.50/ft.		2,500			1.063	1.438
	Stimulation			42.000		21.000	21,000
				2,300		1,150	1.150
				3.0001		1.500	1,500
	3			5.0001			
	Battery Installation					3.000	3,000
	Restore Location			3.500		1.750	1,750
	Engineering		1	5.800		2,900	2.900
	Treator, Separator		5.300		9	2.650	2.650
	Flowline		4.000			2.000	2,000
	Tank & Fittings		4,500			2,250	2,250
	Gravel-			3,000		1,500	1,500
	Workover Rig			10.000	İ	5.000	5.000
	Completion Fluids			2.000		1.000	1,000
	Pipeline Hookup			13,000		6,500	6,500
	Division Order Opinion			1,500		750	750
	Frac Tank Rental			2,500	-	1.250	1.250
	Flowpack			2.000		1.000	1.200
	Fence Location		3,300	2.000		1.650	1.650
			the second second second second second second second second second second second second second second second s	102.0201	107.150		
	Total Completion Costs		23.600	103.850	127.450	63.538	63.913
	5.9375% Farmington, NM Tax				7.567	3.773	3,795
	10% Contingency				13.502	6.731	6,771
	Drilling Costs				65.299	30.508	34.791
	Grand Total Well Costs				213.819	104,550	109.269
FRUITLAND	COAL						
	RICHARDSON OPERATING CO ET AL	DATE	APPROVED				\$104407
	RONALD J. JOHNSON	DATE	APPROVED				\$142
	LEONA R. BEGAY	DATE	APPROVED				
						FO TOTAL	\$104550
PICTURED		0.) TE	10000153				£100070
	S RICHARDSON OPERATING CO ET AL	DATE DATE	APPROVED APPROVED	····.			\$109070 \$199
0.10100%	LEONA R. BEGAY	DATE	APPROVED				21.55
						PC TOTAL	\$109269
				RONALD JOHNSON			\$341

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this 11th day of January 2001 by and between

Ronald J. Johnson, an unmarried man, and Leona R. Begay, an unmarried woman, as joint tenants hereinafter called Lessor (whether one

Whose post office address is P.O. Box 3517, Shiprock, New Mexico 87420-3517 or more) and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lessee

WITNESSETII, That the Lessor, for and in consideration of <u>Fen and more (\$10 & more)</u> DOLLARS eash 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 fract of land situated in the County of <u>San Juan</u>. State of <u>New Mexico</u> described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M.

Lot Thirteen (13) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing_0.872_acres, more or less. * three (3)

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 Lesse is than 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 additional drilling or re-working operations within ninety (90) days from date of cessation of new of the primary term, the lease shall not terminate if Lessee additional drilling or re-working operations of the drilling of a subsequent well.

cause after the primary term, this lease shall for terminate it Lessee commences additional trining 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 average surrendered. 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 acteret and payment or tender to be myster on or before the aniversity of the form any after the avairation of 90 days from do gas is not sold or used.

acce retained hereunder, such payment or lender 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)

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royaltics (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 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's numership as to different modiling on usersee to roture division of Lessor's optient options or parents thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee to roture division of Lessor's optient options or parents thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee to roture division of Lessor's order to option being of any to recease or division of the right of the right of the right of the row of the row of the reafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. 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 bereunder, 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking 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 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, I essee 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 such plan or agreement, and the terms, conditions, and provisions of such plan or agreement and, in such event, the terms, conditions and provisions of units lease shall be 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 be reaffer be operated under any such cooperative or unit plan of 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 be reaffer be operated under any such cooperative or unit plan of development 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 royalties to be made hereunder to Lessor shall be based upon production only as so allocated Lessor shall covered by any provents to approve the execution adopted by any production only as so allocated a percention. 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.

1). 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 by payment, any morigages, taxes or other news on the above described rands, in the event of default of payment by Lessor and be sublogated to the rights of the induct 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 puppess for which this lease is made, as recited herein. 15. Should any one or more of the parties hereinabove 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 ment any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall.

In the fielding on the heirs, successors and assigns of 1 essor and Lessee IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Ronald J. Johnson

Leona R. Begay

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SSI

CTATE AV	,			
STATE OF		Acknowledgment - Indiv	idual(s)	
COUNTY OF]			
, 2001, perse	onally appeared	nry Public, in and for said County as		
and to me known to be the identica	l person(s) dese	cribed in and who executed the with _duly executed the same as	un and foregoing instru	nent of writing
IN WITNESS WHER written.	EOF, I have he	ereunto set my hand and affixed by r	notarial seal the day and	year last above
My Commission Expires:				<u> </u>
		Address:		
STATE OF	}			
COUNTY OF)§)	Acknowledgment - Partn	ership/Trust	
BEFORE ME, the unde	rsigned, a Nota	rry Public, in and for said County a appeared	nd State, on this	day of
to me known to be the identica	l person(s) dese	cribed in and who executed the with duly executed the same as	nin and foregoing instrum	nent of writing
IN WITNESS WHER written.	EOF, thave be	creanto set my hand and affixed by r	notarial seal the day and j	year last above
My Commission Expires:		•		
		Address:		
STATE OF]			
COUNTY OF)	Acknowledgment - Corpo	oralion	
to me personally known who b	eing by me dub	ty, this day personally appeared y sworn did say that he is the the scal affixed to said instrument i		
and that said instrument was si acknowledge said instrument to	gned and scale b be the free act	the seal affixed to said instrument i d in behalf of said corporation by a t and deed of said corporation.	uthority of its Board of	Directors who
Sworn to and subscrib	ed before me, t	thisday of, 2001.		

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My commission Expires:

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RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Denver, Colorado 30203 (303) 830-8000 Fax (303) 830-8009

January 15, 2001



Mr. Ronald J. Johnson and Ms. Leona R. Begay P.O. Box 3517 Shiprock, New Mexico 87420-3517

Certified Mail 7000 0520 0023 4373 2387

Re: Pictured Cliffs Well Proposal ROPCO #8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Johnson and Ms. Begay:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.145 net acre unleased mineral interest within the spacing unit. The ROPCO #8-4 well will be located in the SE/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Johnson and Ms. Begay January 15, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Collay

Cathleen Colby Land Manager

On this	day of	2001 we hereby elect the following:
	Participate in proposed drii herewith.	lling and completion attempt, executed AFE is returned
		the for \$30.00 per net mineral acre, with lease to provide m and 12.5% royalty in the event of production.
	Sell mineral rights for \$70.	.00 per net mineral acre.
By:		By:
Printed Name		Printed Name:

RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

Date: 01/15/2001 Objective Formation: Pictured Cliffs

1.	Drilling Costs (Included Run Cas		Tangible	Intangible	Total	Actual
	Survey and Permits	• • • • • • • • • • • • • • • • • • • •		3,000		
	Title Opinion			1,500	,	
	Drilling (incl. water and mud) 120	00' @ 15.00/ft.+ + +		18,000		
	BOP Rental			750		
	Dirt Work			4,000		
	Pit Lining-			2.800		
	Surface Casing 200' @ 7.18/ft		1.436			
	Casing Head		1.500			
	Cement Surface			2,300		
	Power Tongs			1.000		
	Casing 1200' @ 5.50/ft.		6,600			
			0.000	3,000		
	Logs			3,500		
	Engineering-			3,000		
	3 3			4.000		
	Cement Longstring		0.526		56.306	
	Total Cost to Run Casing		9.536	46.850	56,386	
	5.9375% Farmington, NM T		· .		3.348	
	10% Contingency				5.973	
	Grand Total to Run Casing	g			65,707	
11.	Completion Costs					
	Rig Anchors			750		
	Logs			2.500		
	Perf			2.000		
	Wellhead & Fittings		4.000			
	Tubing 1200' @ 2.50/ft.		3,000			
	Stimulation			22,000		
				2,300		
	Trucking			3.000		
	Battery Installation			6,000		
	Restore Location			3,500		
				3,300		
	Engineering		= 200	3.200		
	Treator, Separator		5.300	[[
	Flowline-		4.000			
	Tank & Fittings		4.500			
	Gravel		3.000			
	Workover Rig.			5.000		
	Completion Fluids			1.000		
	Division Order Opinion			1,000		
	Pipeline Hookup			13,000		
	Frac Tank Rental			1.250		
	Flowback			1.000		
	Fence Location		3,300			
	Total Completion Costs		27,100	67,550	94,650	
	5.9375% Farmington, NM 1			- ,	5.620	
	10% Contingency				10,027	
	Drilling Costs				65,707	
	Grand Total Well Costs				176,004	
	CLIFFS			•		
9.9094	1% RICHARDSON OPERATING COMPANY		APPROVED			\$175.8
0.090E	5% RONALD J. JOHNSON	DATE	APPROVED			\$1
	LCONIA O DECAV		ADDOOVED			

APPROVED

LEONA R. BEGAY

DATE____

OIL AND GAS LEASE

11th _day of _____January____ THIS AGREEMENT, Made and entered into this_ 2001 , by and between

- 1

Ronald J. Johnson, an unmarried man, and Leona R. Begay, an unmarried woman, as joint tenants hereinafter called Lessor (whether one

Whose post office address is P.O. Box 3517, Shiprock, New Mexico 87420-3517 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 <u>Ten and more (\$10 & more)</u> 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 laud 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M.

Lot Thirteen (13) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing 0.872_acres, more or tess. three (3) 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 than 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 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, Lesser 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

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 he 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 acce 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.

When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
 No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
 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.
 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 tille from Lessor, han 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

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 hable 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 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 or well has therefore been completed or upon which operations for drilling have therefore here on the end and and proveking operations of a well shull. by lessee executing and thing of record a declaration of such infinitization of reformation, which declaration shall be the formation. Production, drilling or reworking operations or a well shut in for want of a market angine this lease. In lieu of the royalties all or a part of this lease shall be treated as if it were production, drilling or reworking 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 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 write research acres to show the store acres is a worst of the foregoing the store acres in such unit. 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. 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 any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operations of the land covered by said plan, then the production therefrom is allocated to different portions of the land covered by said plan, then the production therefrom is a because to be naid hereunder to lessor, be regarded as having produced from the nativalar tract of land to which 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 Leave Orders. But a Result of the subject of the subject of the 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 Leave Orders. But a Result of the subject of the subject to all Federal and State Laws, the subject is the result of the subject 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

by payment, any mortgages, taxes or other itens on the above described hands, in the event of default of payment by Lesson and be storogated to the rights of the indice thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all 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 hereinahove 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.

Ronald J. Johnson

Leona R. Begay

SSH

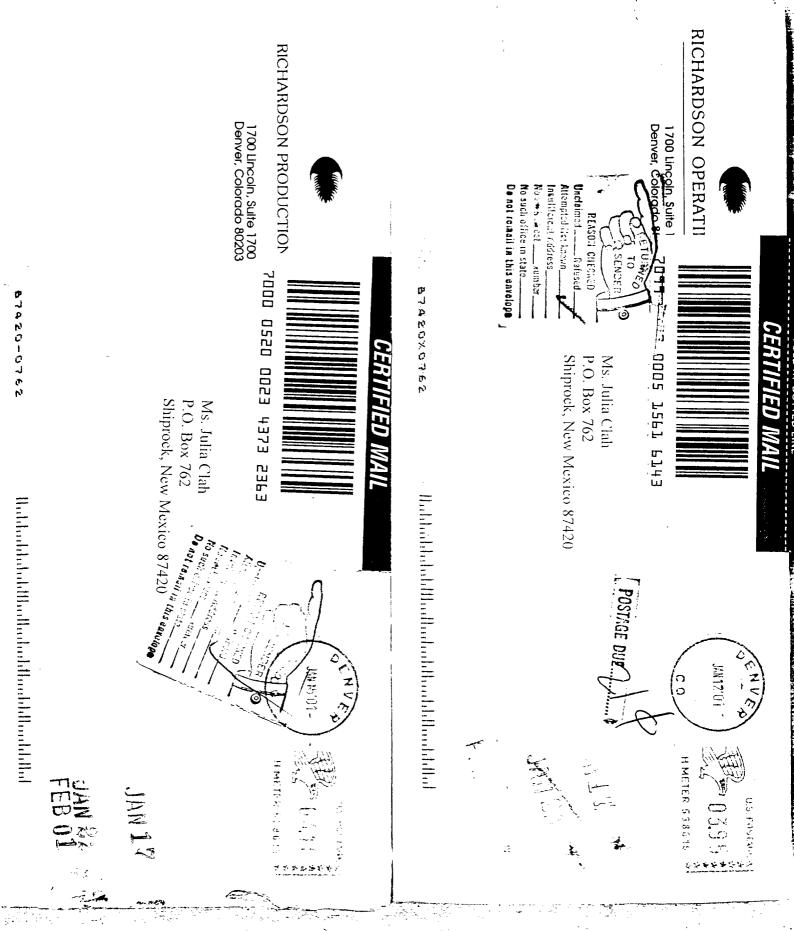
All signatures must be notarized on the back side of the lease form

SSH

COUNTY OF	15	Acknowledgment - Individual(s)	
COUNTY OF	}		
, 2001, p		y Public, in and for said County and State, on this	
and	tical person(s) descri	ibed in and who executed the within and foregoing instrume	nt of writing
	atd	uly executed the same as free and voluntary act ar	
IN WITNESS WII written.	IEREOF, I have here	eunto set my hand and affixed by notarial seal the day and ye	ar last above
My Commission Expires:			
		Address:	
	*		
STATE OF	} }\$	Acknowledgment - Partnership/Trust	
COUNTY OF	}		
		Public, in and for said County and State, on this	day of
	, 2001, personally ap		
nsof	, 2001, personally ap	ppeared	
nsofo	tical person(s) descri atdu		nt of writing
ofof o me known to be the ident and acknowledged to me tha uses and purposes therein so	tical person(s) descri itdu et forth.	ppeared	nt of writing ad deed for th
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My commission Expires:

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a sala Nga mangangkan menangkan sala



RICHARDSON PRODUCTION COMPANY

¹700 Lincoin, Suite 1700 Deriver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

Ms. Julia Clah P.O. Box 762 Shiprock, New Mexico 87420 not on man white poped not on Farmington phane book duractivy apprisioner i non-Dublished #

Certified Mail 7099 3220 0005 1561 6143

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO =8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Ms. Clah:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.436 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Ms. Julia Clah January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	, 2001, we hereby elect the following:
	Participate in pr herewith.	oposed drilling and completion attempt, executed AFE is returned
		nd Gas Lease for \$30.00 per net mineral acre, with lease to provide primary term and 12.5% royalty in the event of production.
	Sell mineral righ	hts for \$70.00 per net mineral acre.
By:		

Printed Name:_____

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coal 1000' Picturea Cliffs

Date: 01/11/2001

Objective Formation: Commingred Protured Cliffs and Fruitland Coal

I.	Drilling Costs (Included Run Casin	ıg)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits	• • • • • • • • • • • • • • • •		3.000		1,500	1.500
	Title Opinion			3.000		1,500	1,500
	* Drilling (incl. water and mud) 1000	0'@15.00/ft		15,000		6.375	8.625
	BOP Rental			750		375	375
	Dirt Work			4.000	1	2,000	2,000
	Pit Lining			2,800	Ì	1.400	1,400
	Surface Casing 200' @ 7.18/ft.		1,436	2,000		718	718
	Casing Head-		1,500			750	750
	Cement Surface		1,500	2,300		1,150	
				i			1,150
	Power Tongs		5 500	1,000		500	500
	Casing 1000' @ 5.50/ft.		5,500	2 0 0 0		2,338	3,163
	Trucking		,	3,000	Ì	1.500	1,500
	Logs			3,750		1.875	1,875
	Engineering			5,000)		2,500	2,500
	Cement Longstring-			4.000		1.700	2.300
	Total Cost to Run Casing		8.436	47,6001	56.036	25,181	29,856
	5.9375% Farmington, NM Tai				3.327	1.554	1,773
	10% Contingency		Mar 1, 17		5.936	2.773	3.163
	Grand Total to Run Casing-		·		65.299	30,508	34,791
П.	Completion Costs				00.299	20.000	34.791
···.	Rig Anchors			750		275	275
				750)	375	375
	Logs			3.000		1,500	1.500
	Peri			3,500		1.750	1.750
	Wellhead & Fittings		<i>≏</i> .0001			2.000	2,000
	Tubing 1000' @ 2.50/ft.		2,500		ĺ	1.063	1,438
	Stimulation			42,000	1	21.000	21,000
	Tool Rental			2,300		1.150	1,150
	Trucking			3.000		1.500	1.500
	Battery Instailation			5,000		3.000	3,000
	Restore Location			3.500		1,750	1,750
	Engineering			5,800		2,900	2,900
	Treator, Separator		5.300	0.000		2,650	2,650
	Flowline		4,000			2,000	2,000
	Tank & Fittings		4,500			2.250	2,250
	Gravel		500	3,000]	1,500	1,500
	Workover Rig			10,000		5,000	5.000
	Completion Fluids			2,000]	1,000	1,000
	Pipeline Hookup			13.000	(6,500	6.500
	Division Order Opinion			1,500	(750	750
	Frac Tank Rental			2.500	1	1.250	1.250
	Flowback			2.0001		1.000	1.000
	Fence Location		3.300			1.650	1.650
	Total Completion Costs		23.600	103.850	127.450	63.538	63,913
	5.9375% Farmington, NM Ta				7,567	3,773	3,795
	10% Contingency				13.502	6,731	6,771
	Drilling Costs				65.299	30,508	34,791
	Grand Total Well Costs				213.819	104.550	109,269
COLUTI AN							
FRUITLAN	% RICHARDSON OPERATING CO ET AL	DATE	APPROVED				\$104407
	% JULIA CLAH	DATE	APPROVED	- <u></u>			5142
						FC TOTAL	\$104550
PICTURED	011555						
	% RICHARDSON OPERATING CO ET AL	DATE	APPROVED				3109070
	% JULIA CLAH	DATE	APPROVED				\$199
						PC TOTAL	\$109269

JULIA CLAH TOTAL

\$341

OIL AND GAS LEASE

day of THIS AGREEMENT. Made and entered into this 11th January 2001 by and between

Julia Clah, an unmarried woman

P.O. Box 762, Shiprock, NM 87420 hereinafter called Lessor (whether one or more) and Whose post office address

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 <u>Ten and more (\$10 & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements bereinafter 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 <u>San Juan</u>, State of <u>New Mexico</u>, described as follows, to-wit:

Township 29 North - Range 14 West, N.M.P.M.

Lot Eleven (11) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessor's written consent.

and containing 0.872 acres, more or less.

* three (3)

1. It is agreed that this lease shall remain in force for a term of $\frac{free(5)}{free(5)}$ gears 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 than engaged in drilling or re-working operations thereon, then this on or gas is nothening produced on the leased premises or on acreage pooled intervition of 1.688e is than engaged in drining of re-working operations intereor, then this lease shall 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 the max is in produced and produced are never the lessee to an other the expiration of the primary term of such operations at or after the expiration of the primary term of the max is in produced from the leased premises or on acreage pooled therewith. crim of this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith
 This is a PAID-UP LEASE. In consideration of the down eash 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 I essee 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), psyable 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).

 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 acce 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 during the period such well is shut in. If such payment or tender is made, it will be considered during the period such well is shut in. If such payment or tender is made, it will be considered during the period such well is shut in. 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 royaltics (including any shut-in gas royalty)

bergin 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.

 When requested by Lessee shall outly Lessee's inter development between the development.
 No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
 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.
 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 tille from Lessor, than 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking 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 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 such approved cooperative or unit plan of development or operation 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 developm and provisions of such approved cooperative of thit plan of development of operation and, planting and development requirements of this lease 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 becafter 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 royalty payments to be made hereunder to Lessor, be regarded as having produced from the particular tract of land, and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall be the requirement of approxed by any payments in the agreement of approxed by any production only as so allocated. Lessor shall be based upon production only as so allocated and payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall be based upon production only as so allocated and payments to appreciate any execution advector payments in the agreement or operation advector by any payments in the verse of a many of the part of payments in the payments of any execution advector advector by any payments in the payments of any payments in the payments of a matching and the payments of a matching and the royalty payments of a matching any payments in the payments of a matching any payments in the payments of a matching and the payments of a matching and the payments of a matching and the payments of a matching and the payments of a matching and the payments of a matching and the payments of the payments of a matching and the payments of the payments of the payments of the payments of the payments of the payments of the payments of the payments 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, hy 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 all 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 hereinabove 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

Julia Clah

SS#

STATE OF	}		
COUNTY OF]§	Acknowledgment - Individual(s)	
		Public, in and for said County and State, on this	
		ibed in and who executed the within and foregoing instru	
o me known to be the ide and acknowledged to me tl ases and purposes therein	natd	ibed in and who executed the within and foregoing instru- uly executed the same as free and voluntary act	nent of writing and deed for tl
IN WITNESS W vritten.	HEREOF, I have here	cunto set my hand and affixed by notarial seal the day and	year last above
My Commission Expires:			
		Address:	
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	~~~~~		*****
STATE OF	)		
COUNTY OF	}§ }	Acknowledgment - Partnership/Trust	
BEFORE ME, the	indersigned, a Notary	Public, in and for said County and State, on this	day of
us of	_, 2000, personany aj	ppeared	····
o me known to be the ider and acknowledged to me th uses and purposes therein	natdı	bed in and who executed the within and foregoing instrur aly executed the same asfree and voluntary act	nent of writing and deed for 1
IN WITNESS WI written.	IEREOF, I have here	unto set my hand and affixed by notarial seal the day and .	year last above
Ay Commission Expires:			
	~ _	Address:	
	*****		
STATE OF	}		
COUNTY OF	}§	Acknowledgment - Corporation	
BEFORE ME, the u	ndersigned authority,	this day personally appearedsworn did say that he is the	
fnd that said instrument wa	and that the as signed and sealed i	e seal affixed to said instrument is the corporate seal of sa in behalf of said corporation by authority of its Board of ind deed of said corporation.	id corporation Directors who
-		isdny of, 2000.	
Ay commission Expires:			

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### RICHARDSON PRODUCTION COMPANY

1700 Lincoin, Suite 1700 Derver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 15, 2001



Ms. Julia Clah P.O. Box 762 Shiprock, New Mexico 87420

Certified Mail 7000 0520 0023 4373 2363

Re: Pictured Cliffs Well Proposal ROPCO #8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Ms. Clah:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.145 net acre unleased mineral interest within the spacing unit. The ROPCO #8-4 well will be located in the SE/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Ms. Julia Clah January 15, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Cotting

Cathleen Colby Land Manager

On this	day of	, 2001 we hereby elect the following:
	Participate in pro herewith.	posed drilling and completion attempt, executed AFE is returned
		d Gas Lease for \$30.00 per net mineral acre, with lease to provide rimary term and 12.5% royalty in the event of production.
	_ Sell mineral right	s for \$70.00 per net mineral acre.
By:		

Printed Name:_____

#### RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

Date: 01/15/2001 Objective Formation: Pictured Cliffs

I.	Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Actual
	Survey and Permits		3,000		
	Title Opinion		1,500		
	Drilling (incl. water and mud) 1200' @ 15.00/ft.		18.000		
	BOP Rental		750		
	Dirt Work		4,000	[	
	Pit Lining		2,800		
	Surface Casing 200' @ 7.18/ft.	1,436			
	Casing Head	1,500			
	Cement Surface	1,000	2,300		
	Power Tongs.		1.000		
	Casing 1200' @ 5.50/ft.	6.600	1.000		
		0,000	3.000		
	6	1			
			3,500		
	Engineering		3,000		
	Cement Longstring.		4.000		
	Total Cost to Run Casing	9,536	46.850	56,386	
	5.9375% Farmington, NM Tax	. ]		3,348	
	10% Contingency			5,973	
	Grand Total to Run Casing			65,707	
н.	Completion Costs				
	Rig Anchors	l	750		
	Logs		2,500		
	Perf		2.000		
	Wellhead & Fittings-	4.000	2.000		
	Tubing 1200' @ 2.50/ft.	3,000			
	Stimulation	5,000	22.000		
			2.300		
	Trucking.		3,000		
	Battery Installation		6,000		
	Restore Location		3,500		
	Engineering		3,250		
	Treator, Separator	5,300			
	Flowline	4,000			
	Tank & Fittings	4.500			
	Gravel	3.000			
	Workover Rig		5,000		
	Completion Fluids		1,000		
	Division Order Opinion		1.000		
	Pipeline Hookup		13,000		
	Frac Tank Rental		1.250		
	Flowback		1.000	ļ	
	Fence Location	3,300	1.000		
	Total Completion Costs	27,100	67.550	94,650	
		27,100	07.000	5.620	
	5.9375% Farmington, NM Tax			1	
	10% Contingency			10,027	
	Drilling Costs.			65,707	
	Grand Total Well Costs			176.004	
	CLIFFS				
	% RICHARDSON OPERATING COMPANY DATE	APPROVED			\$175,84
	% JULIA CLAH DATE	APPROVED			\$16
5.0500					\$176.00

\$160 \$176,004

### OIL AND GAS LEASE

January THIS AGREEMENT, Made and entered into this 11th day of 2001 by and between

Julia Clah, an unmarried woman

Whose post office address_ P.O. Box 762, Shiprock, NM 87420 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 <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit:

### Township 29 North - Range 14 West, N.M.P.M.

Lot Eleven (11) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessor's written consent.

and containing 0.872 acres, more or less.

* three (3)

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 than engaged in drilling or re-working operations thereon, then this oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is than engaged in drifting or re-working operations thereon, then this lease shall continuously prosecuted in normal shall be considered to be continuously prosecuted if not more than ninety (90) days shall clapse between the completion or abandonment of one well and the beginning of operations for the drifting 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 drifting or re-working 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 continuous during the primary term.

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

In consideration of the premises the said Lessee covenants and agrees. Ist, 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. 3. 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 toyalty 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

acce retained hereunder, such payment or feuder 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.

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

6. 7.

 When requested by Lesser, Lessee shall bury Lessee's operations to growing crops on said premises without written consent of Lessor.
 No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.
 Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
 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.
 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's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessor and fuence without regard to any such division. If all or any ratio of the ense is assigned, no lease block without regard to any such division. 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.

It 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in five aver do a work by includer and a upon which include all or a next of the large reliable to a first wear production, drilling or reworking operations or a well shut a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut in for want of a market under this lease. In lieu of the royaltice 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 shall be accedent, and this lease shall not reminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall be rander any such cooperative or unit plan of development or operation whereby the production that caliform 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 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 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.

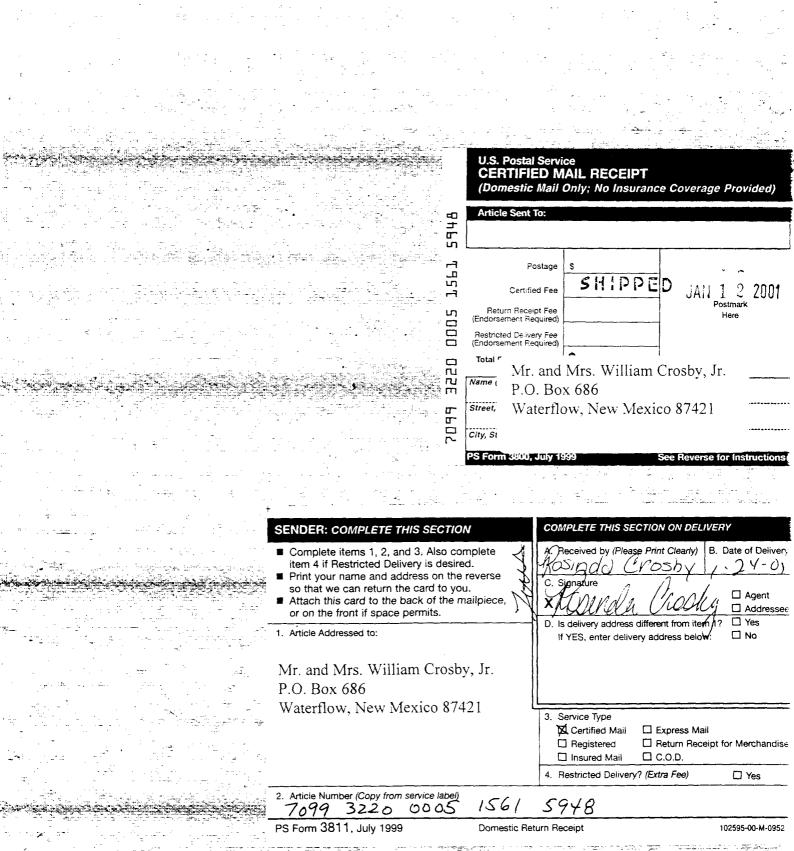
14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subtogated 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 hereinabove 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

Julia Clah

SSH

STATE OF		
COUNTY OF	}§ Acknowledgment - Individual(s) }	
	ned, a Notary Public, in and for said County and State, on this	
and	rson(s) described in and who executed the within and foregoing instru duly executed the same as free and voluntary act	ment of writing t and deed for the
IN WITNESS WHEREO	F, I have hereunto set my hand and affixed by notarial seal the day and	year last above
My Commission Expires:		
	Address:	
STATE OF		
COUNTY OF	]	
BEFORE ME, the undersign	ned, a Notary Public, in and for said County and State, on this	day of
2000	normanally approved	
, 2000, asof to me known to be the identical per	personally appeared	ment of writing
, 2000, nsof to me known to be the identical per and acknowledged to me that uses and purposes therein set forth. IN WITNESS WHEREOF	rson(s) described in and who executed the within and foregoing instru- duly executed the same asfree and voluntary act	ment of writing and deed for the
ns, 2000, nsof to me known to be the identical per and acknowledged to me that uses and purposes therein set forth.	rson(s) described in and who executed the within and foregoing instru- duly executed the same asfree and voluntary act	ment of writing and deed for the
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, 2000, nsof to me known to be the identical per and acknowledged to me that uses and purposes therein set forth. IN WITNESS WHEREOI written. My Commission Expires:	rson(s) described in and who executed the within and foregoing instru- duly executed the same asfree and voluntary act F, I have hereunto set my hand and affixed by notarial seal the day and	ment of writing and deed for the year last above
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, 2000, asof	rson(s) described in and who executed the within and foregoing instruct	ment of writing and deed for the year last above
, 2000, asof	rson(s) described in and who executed the within and foregoing instruct	ment of writing and deed for the year last above
, 2000, nsof	rson(s) described in and who executed the within and foregoing instruct	ment of writing and deed for the year last above



curtis IMPORTANT MESSAGE C 0 FOR_ -2 DATE. N M. OF PHONE EA CODE NUMBER D FAX no lon D MOBILE. AREA CODE NUMBER TELEPHONED PLEASE CALL CAME TO SEE YOU WILL CALL AGAIN WANTS TO SEE YOU RUSH RETURNED YOUR CALL WILL FAX TO YOU MESSAGE U. 20 10 RM SIGNED ada TOPS Jan 31,2001



2-8-0 Best service

### RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Denver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

Mr. and Mrs. William Crosby, Jr. P.O. Box 686 Waterflow, New Mexico 87421

Certified Mail 7099 3220 0005 1561 5948

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S.2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Crosby:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3755 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. William Crosby, Jr. January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Cotley

Cathleen Colby Land Manager

On this	day of	, 2001 we hereby elect the following:
	Participate in pro herewith.	posed drilling and completion attempt. executed AFE is returned
		d Gas Lease for \$30.00 per net mineral acre, with lease to provide rimary term and 12.5% royalty in the event of production.
	Sell mineral right	ts for \$70.00 per net mineral acre.
By:		

Printed Name:

Weil Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 350' Fruitiand Coal 1000' Pictured Cliffs

### Date: 01/11.2001

Dejective Formation: Comming ed Pictured Cliffs and Fruitland Coal

1.	Drilling Costs (Included Run Casin	g)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits			3.000		1.500	1,500
	Title Opinion	• • • • • • • • • • • • • •		3.000	1	1.500	1.500
•	Drilling (incl. water and mud) 1000	)'@15.00/ft.+++		15,000		6.375	8.625
	BOP Rental.			750		375	375
	Dirt Work-			4.000		2.000	2,000
	Pit Lining			2,800	1	1,400	1,400
	Surface Casing 200' @ 7.18/ft.		1,436			718	718
	Casing Head		1,500			750	750
	Cement Surface			2,300		1,150	1,150
	Power Tongs			1,000		500	500
	Casing 1000' @ 5.50/ft.		5,500	1.000		2.338	3,163
			3,300	3.000		1,500	1,500
	Logs			3.750		1.375	1.875
	Engineering			5,000		2,500	2,500
	Cement Longstring			4 000		1,700	2,300
							اليباعده بالمنيجينة عيدالفقانا الاكت
	Total Cost to Run Casing		3,436	47.600	56.036	26.181	29.856
	5.9375% Farmington, NM Tax			;	3.327	1.554	1,773
	10% Contingency			·	5.936	2.773	3.163
	Grand Total to Run Casing-			1	65.2991	30,508	34.791
11.	Completion Costs				1		
	Rig Anchors		!	750;		375	375
	Logs			3,0001	-	1,500	1,500
	Perf			3,500		1,750	1,750
	Wellhead & Fittings		4,000			2,000	2,000
	Tubing 1000' @ 2.50/ft.		2,500		;	1.063	1,438
	Stimulation		2.000	42,000	1	21,000	21,000
				2.3001		1.150	1,150
	Trucking		1	3.0001		1.500	1,500
	Battery Installation			6,0001	2	3.000	3.000
	Restore Location			3.5001		1.750	1.750
	Engineering			5.800		2.900	2,900
	Treator, Separator		5.300			2.650	2.650
	Flowline		1.000			2.000	2,000
	Tank & Fittings		4.500		1	2.250	2,250
	Gravel			3.000	1	1,500	1,500
	Workover Rig.			10.000	)	5,000	5.000
	Completion Fluids			2,000		1,000	1,000
	Pipeline Hookup		l.	13.000		5.500	6,500
	Division Order Opinion			1.500i	1	750	750
	Frac Tank Rental			2.500/		: 250	1.250
	Flowback		1	2.0007	I	1.000}	1.000
	Fence Location		3.3001	(		1.650)	1,650
	Total Completion Costs		23.600	103.8501	127,450	63.538	63,913
	5.9375% Farmington, NM Tai			ĺ	7,567	3,773	3,795
	10% Contingency		I	(	13,502	6,731	6,771
	Drilling Costs			, ,	65.299	30.508	34,791
	-			,		104,5501	109.269
	Grand Total Well Costs				213.819	_04.5501	105.205
FRUITLAND							** 11177
	RICHARDSON OPERATING COLETIAL	DATE	APPPCVED APPPCVED				\$104427 \$123
5 11/34%	NILLIAM CROSBY, JR. ROSINDA CROSBY	DATE	42980VED				0 - 10
		5A1C	-1 -0125			FO TOTAL	\$104550
PICTURED							*100000
	RICHARDSON OPERATING CO ET AL	DATE	10000VED				5109269 ع
0.00000%	, WILLIAM CROSEY, JR. ROSINDA CROSEY	DATE	APPROVED APPROVED				J
						PC TOTAL	\$109269

PC TOTAL WILLIAM & ROSINDA CROSBY TOTAL

\$123

### **OIL AND GAS LEASE**

THIS AGREEMENT, Made and entered into this_ 11th _____day of _____January____ 2001 by and between

William Crosby, Jr. and Rosinda Crosby, husband and wife, as joint tenants

Whose post office address is P.O. Box 686, Waterflow, New Mexico 87421 _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 I essee

WITNESSETH, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit.

#### Township 29 North - Range 14 West, N.M.P.M.

Lot Seven (7) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessor's written consent.

# and containing 0.751_acres, more or less. * three (3)

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, nonstate lease therein the there is not being produced in the count of the initial operations are considered to be continuously prosecuted in the lease of premises or on acreage pooled therewith but Lesse is than engaged in drilling or re-working operations thereon, then this lease shall 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 a faller the expiration of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the primary term of the pri

 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.
 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 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 be accurate or stratum. the acreage surrendered.

 In consideration of the premises the said Lessee covenants and agrees: Ist 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-cighth (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 royality 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 royality 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 royality to the royality owners. One Dollar per year per net royality 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 rout in and thereafter on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is rout in any diversities 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

berein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and individed 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 that been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete view of any other records of the point records of the point with records to provide the resort there for made and other information necessary to establish a complete view of the form. complete chain of record title from Lessor, than 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 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking 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 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 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 tume, with 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, terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shaft 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 shaft be deemed modified to conform to the terms, conditions, or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shaft be 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; 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 1 essee and approved by any governmental agency by executing the accurate upon production 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

terminated, in whole or in part, nor Lessee held hable in damages, for failure to comply therewith, if compliance is prevented by, or it such failure is the result of, any such Law, Order, Rule or Regulation.
14. Lessor hereby warrants and agrees to defend the tifle 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 hereinabove 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 Lessor. All the provisions of this lease shall be binding on the heirs. WHERENEE, this is accessed as of the due first above written.

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

William Crosby, Jr.

SS#

**Rosinda** Crosby

SSH

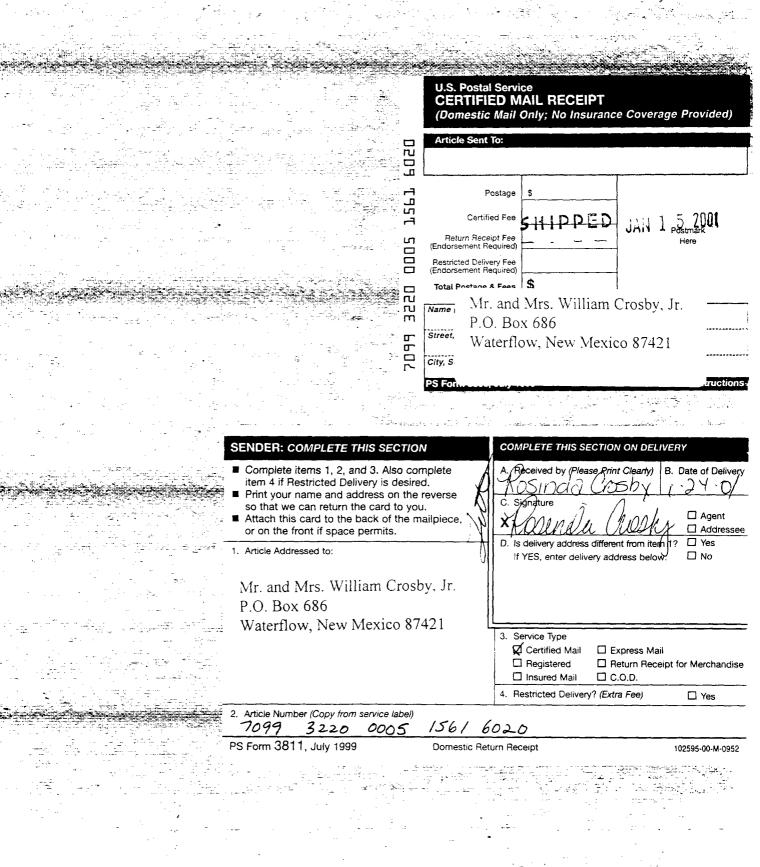
All signatures must be notarized on the back side of the lease form

STATE OF		( damadadament - In Pridant	
COUNTY OF	)§ )	Acknowledgment - Individual	
	, 2000, personally a	tary Public, in and for said County and State, on thisd appeared	
and	· · · · · · · · · · · · · · · · · · ·	ribed in and who executed the within and foregoing instrument of	
and acknowledged to me that uses and purposes therein se	td	fibed in and who executed the within and foregoing instrument of July executed the same as free and voluntary act and de	ed for t
IN WITNESS WII above written	EREOF, I have her	reunto set my hand and affixed by notarial seal the day and year h	ast
My Commission Expires:		Address:	
STATE OF	}		
COUNTY OF	)§ }	Acknowledgment - Partnership/Trust	
BEFORE ME, the	undersigned, a Not 2000, personally a	tary Public, in and for said County and State, on this outpeared of the said County and State, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on this of the said county and state, on the said county and state, on this of the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and state, on the said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and said county and sa	lay of
	dd	ribed in and who executed the within and foregoing instrument of huly executed the same asfree and voluntary act and de	
IN WITNESS WHI written.	EREOF, I have here	eunto set my hand and affixed by notarial seal the day and year las	st above
My Commission Expires:		Address:	
STATE OF	]		
COUNTY OF	}§ }	Acknowledgment - Corporation	
Before me, the und to me personally known who	ersigned authority, 5 being by me duly	this day personally appeared	
of said corporation and that s of Directors who acknowled	aid instrument was ge said instrument	signed and sealed in behalf of said corporation by authority of its to be the free act and deed of said corporation.	s Board
Sworn to and subse	ribed before me, th	nisday of, 2000.	
My commission Expires:		Notary Public	

. . .

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My commission Expires:





### RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Denver, Colordao 50203 (303) 830-8000 Fax (303) 830-8009

January 15, 2001



Mr. and Mrs. William Crosby, Jr. P.O. Box 686 Waterflow, New Mexico 87421

Certified Mail 7099 3220 0005 1561 6020

Re: Pictured Cliffs Well Proposal ROPCO #8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Crosby:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3755 net acre unleased mineral interest within the spacing unit. The ROPCO #8-4 well will be located in the SE/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. William Crosby January 15, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of		, 2001 we hereby elect the following:		
	Participate in proposed drilling and completion attempt, executed AFE is returned herewith.				
			e for \$30.00 per net mineral acre, with lease to provide and 12.5% royalty in the event of production.		
	Sell mineral rig	hts for \$70.00	0 per net mineral acre.		
By:			By:		
Printed Name	·		Printed Name:		

#### RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

Date: 01/15/2001 Objective Formation: Pictured Cliffs

	Costs (Included Run Casing)	Tangible	Intangible	Total	Actual
	and Permits		3.000		
	inion · · · · · · · · · · · · · · · · · · ·		1.500		
Drilling	(incl. water and mud) 1200' @ 15.00/ft.		18,000		
BOP Rei	ntal		750		
	·k· · · · · · · · · · · · · · · · · · ·		4,000		
Pit Linir	)g		2.800)		
Surface	Casing 200' @ 7.18/ft.	1.436			
Casing H	fead · · · · · · · · · · · · · · · · · · ·	1,500			
Cement	Surface		2.300		
Power T	ongs		1,000		
Casing	1200' @ 5.50/ft.	6.600			
Тгискіп	z		3.0001		
	-		3.5001		
	ring		3.000		
-	Longstring.		4,000		
	l Cost to Run Casing	9.536	46.850	56,386	
	9375% Farmington, NM Tax	5.500	40.000	3 348	
	% Contingency:			5.973	
				أما سيرا سيا سيرومي ومياسي في	
	Grand Total to Run Casing			65.707	
	tion Costs		200		
-	nors		750		
5			2.500		
			2,000		
	d & Fittings	4.000	Í		
	1200' @ 2.50/ft.	3.000			
	tion		22.000		
	ntal		2.300	1	
	g		3.000		
	Installation-	}	6.000 j		
	Location		3,500		
	ring	{	3.250		
	Separator · · · · · · · · · · · · · · · · · · ·	5.300			
Flowline	••••••••••••••••••••••••••••••••••••••	4.000)			
Tank &	Fittings	4,500			
Gravei		3.000			
Workove	er Rig		5.000(		
Comple	tion Fluids		1.000		
Division	Order Opinion		1.000)	1	
Pipeline	Неокир		13.000		
Frac Ta	nk Rental.		1.250		
	:k		1.000		
Fence L	ocation	3.300			
Total Co	propletion Costs	27.100	67.550(	94,6501	
	3375% Farmington, NM Tax	1		5,620	
	% Contingency			10,027	
	ling Costs			55.707	
	and Total Well Costs			176,004	
	and rotal ficit ousts				

\$1/5	APPROVED	JAIE	39 76533 RICHARDSON OPERATING COMPANY	- 59 Ve
47 47	 APPROVED	DATE	0.2347% MILLIAM CROSBY, JR.	0.23
	 APPROVED	DATE	ROSINDA CROSBY	

### OIL AND GAS LEASE

_day_of____January THIS AGREEMENT, Made and entered into this 11th 2001 . by and between

William Crosby, Jr. and Rosinda Crosby, husband and wife, as joint tenants Whose post office address is P.O. Box 686, Waterflow, New Mexico 87421 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 <u>Ten and more (\$10 & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has guanted, demised, leased and let, and by these presents does guant, 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 <u>San Juan</u>. State of <u>New Mexico</u> described as follows, to-wit:

#### Township 29 North - Range 14 West, N.M.P.M.

Lot Seven (7) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessor's written consent.

and containing 0.751_acres, more or less. * three (3)

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, 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 than 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 well and the beginning 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 eash payment, Lesser agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lesser 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 strate 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.

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

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 costing 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 during the period such well is shut in. 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

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6 Lessee shall have the right to use, free of cost, gas, off 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 easing.
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, than 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

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 eovered 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties cleswhere 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 su 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. 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 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. 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 fiens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder by payment, any mortgages, taxes or other nens on me above described rands, in me event or denant or 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 hereinabove 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

he 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

William Crosby, Jr.

SSH

**Rosinda** Crosby

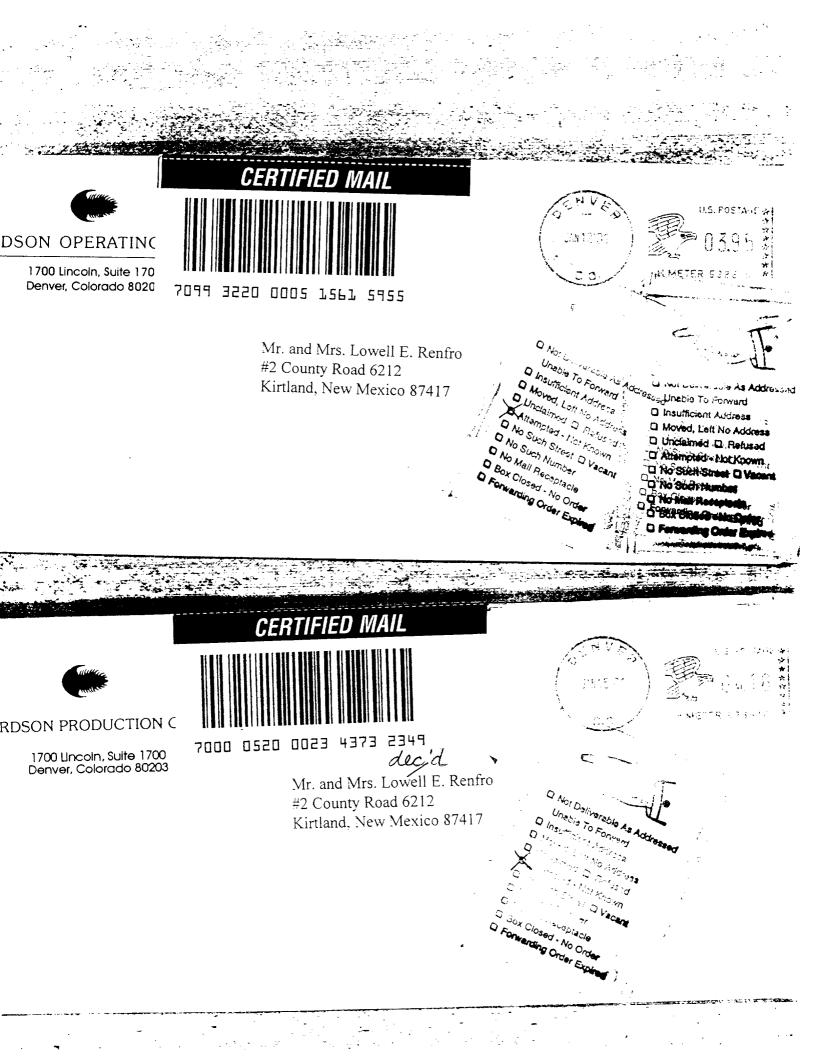
All signatures must be notarized on the back side of the lease form

SS#

STATE OF	)		
COUNTY OF	15 1	Acknowledgment - Individual	
		y Public, in and for said County and State, on this peared	
to me known to be the identical and acknowledged to me that uses and purposes therein set fo	ɗul	bed in and who executed the within and foregoing instru ly executed the same as free and voluntary ac	ment of writing t and deed for the
IN WITNESS WHERI above written	30F, I have hereu	into set my hand and affixed by notarial seal the day an	d year last
My Commission Expires:		Address:	
	<u></u>		
STATE OF	] }§	Acknowledgment - Partnership/Trust	
COUNTY OF		" T	
BEFORE ME, the und	ersigned, a Notar 00, personally app	y Public, in and for said County and State, on this peared	day of
asof to me known to be the identical and acknowledged to me that uses and purposes therein set for	dul	beared	ment of writing t and deed for the
IN WITNESS WHERE written.	OF, I have hereu	nto set my hand and affixed by notarial scal the day and	year last above
My Commission Expires:	,	Autores	······
		Address:	
STATE OF	} }§	Acknowledgment - Corporation	
COUNTY OF	]		
Before me, the undersig to me personally known who bei	gned authority, th ing by me duly sv	his day personally appeared	
of of said corporation and that said of Directors who acknowledge sa	instrument was si aid instrument to	vorn did say that he is the, and that the seal affixed to said instrument is the igned and sealed in behalf of said corporation by author be the free act and deed of said corporation	e corporate scal ity of its Board
Sworn to and subscribe	d before me, this	day of, 2000.	

My commission Expires:

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RICHARDSON PRODUCTION COMPANY

1700 Lincain, 3u.te 1700 Derver, Colorado 63203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

Mr. and Mrs. Lowell E. Renfro ≠2 County Road 6212 Kirtland, New Mexico 87417

Certified Mail 7099 3220 0005 1561 5955

 Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO ≈8-3 Well
 S/2-Section 8-T29N-R14W
 San Juan County, New Mexico

Dear Mr. and Mrs. Renfro:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.375 net acre unleased mineral interest within the spacing unit. The ROPCO  $\neq$ 8-3 well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300% 100% nonconsent penalty and \$5000 drilling \$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Lowell E. Renfro January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Cotta

Cathleen Colby Land Manager

On this	day of	, 2001 we hereby elect the following:
	Participate in herewith.	proposed drilling and completion attempt, executed AFE is returned
		and Gas Lease for \$30.00 per net mineral acre, with lease to provide ar primary term and 12.5% royalty in the event of production.
	Sell mineral ri	ights for \$70.00 per net mineral acre.
By:		

Printed Name:

#### المارية فالانتهام والأراب والأرا . . . . . . AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coar 1000' Pictured Cliffs

### Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitiand Coal

ι.	Drilling Costs (Included Run Casing	)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits			3.000		1.500	1.500
	Title Opinion-			3.000		1.500	1.500
+	Drilling (incl. water and mud) 1000'	@ 15.00/ft.++		15,000	-	6.375	8,625
	BOP Rental-			750		375	375
	Dirt Work-			4.000		2.000	2.000
	Pit Lining-	• • • • • • • • • • • • •		2,800		1.400	1,400
	Surface Casing 200' @ 7.18/ft.		1,436			718	718
	Casing Head		1.500		1	750	750
	Cement Surface			2,300		1,150	1,150
	Power Tongs			1,000		500	500
	Casing 1000' @ 5.50/ft		5,500			2.338	3.163
	Trucking			3.000	1	1.500	1.500
	Logs			3,750		1.875	1,875
	Engineering			5.000		2,500	2.500
	Cement Longstring			4.000		1,700	2.300
	Total Cost to Run Casing		8,436	47,600	56.0361		29,856
	5.9375% Farmington, NM Tax		3. 40		3.3271	1.554	1.773
	10% Contingency				5.936	2,773	3.163
					65.2991	and the second second second second second second second second second second second second second second second	34.791
	Grand Total to Run Casing-				00.2991	30 508	04.791
11.	Completion Costs		1	7=0		275	275
	Rig Anchors			750		375	375
	Logs			3 000		1 500	1,500
	Perf.			3,500		1 750	1,750
	Wellhead & Fittings		4.000			2.000	2,000
	Tubing 1000' @ 2.50/ft.		2.500			1.063	1,438
	Stimulation			42.000		21.000	21,000
	Tool Rental			2.300		1.150	1,150
	Trucking-			3.000		1.500	1,500
	Battery installation			6.000		3.000	3.000
	Restore Location			3.500		1,750	1.750
	Engineering			5,800		2.900	2,900
	Treator, Separator	• • • • • • • • • •	5,300		i	2.650	2,650
	Flowline		4.000			2.000	2,000
	Tank & Fittings		4,500		i	2.250	2.250
	Gravel			3.000		1.500	1.500
	Workover Rig			10.000		5.000	5,000
	Completion Fluids			2.000		1.000	1.000
	Pipeline Hookup			13,000		5.500	<u> 6,500</u>
	Division Order Opinion			1,500		750	750
	Frac Tank Rental			2.500	1	1 250	1.250
	Flowback			2.0001		1.000	1,000
	Fence Location		3.300		1	1.550	1.650
	Total Completion Costs		23.6001	103,8501	127.4501	53 5381	53.913
	5.9375% Farmington, NM Tax				7,567		3.795
	10% Contingency		J		13.502	5.731	6,771
	Orilling Costs				65.299	30.508	34.791
	Grand Total Well Costs				213,819	104.550	109.269
				-	210,017	104.0001	
FRUITLAND		5 4 TC	APPROVED				\$104427
	, RICHARDSON OPERATING CO ET AL	DATE DATE	APPROVED				\$1027
	CALLIE P. RENERO	DATE	APPROVED				
						FO TOTAL	\$104550
PICTURED							
	RICHARDSON OPERATING CO ET AL	DATE	APPROVED				\$109269
	LOWELL E. RENFRO	DATE	APPROVED				5
	CALLIE P. RENERO	DATE	APPROVED				
						PC TOTAL	\$109269
							\$1.23

LOWELL RENFRO & CALLIE RENFRO TOTAL

5123

### OIL AND GAS LEASE

___day_of____ THIS AGREEMENT, Made and entered into this 11th Janaury 2001 by and between

З

Lowell E. Renfro and Callie P. Renfro, a married couple, joint tenants Whose post office address #2 County Road 6212, Kirtland, New Mexico 87417 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 tessee

WITNESSETH, That the Lessor, for and in consideration of <u>len and more (\$10 & more)</u> 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 into 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 <u>San Juan</u>. State of <u>New Mexico</u>, described as follows, to-wit

#### Township 29 North - Range 14 West, N.M.P.M.

Lot Eight (8) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing <u>0.750</u> acres, more or less * three (3)

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 1. It is agreed that this lease shall remain in force for a term of fire(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 than 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 at or after the expiration 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 due to form 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 shall continuous of the primary term of the primary term of the primary term of the primary term of a subsequent well.

term of this lease, this lease shall continue in force so long as oil or gas is produced and produced as dream of such operations at or are the expiration of the primary 2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lesson 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 Lesson or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

 In consideration of the premises the said Lessee covenants and agrees:
 Ist. To deliver to the credit of Lessor, free of cost, in the pipe line to which I essee 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

2nd. To pay Lessor one-eighth (178) 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 (178), 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 produced a royalty of one-eighth (178), 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 lender as royalty to the royalty owners. One Dollar per year per net royalty are retained hereunder, such payment or tender to be made on or before the antiversary date of this lease next ensuing after the expiration of 90 days from the date such well in the manufacturies the predict sold payable rot benefities the menufacture of the set on any oil well and used off the interval of this lease next ensuing after the expiration of 90 days from the date such well is retained hereunder.

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

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

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 When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor 6. 7.

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Lessee shall pay for damages caused by Lessee's operations to growing erops on said land. 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 10

11 The rights of Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be bunding on Lessee hare the function of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state o 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.

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 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 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 therefore been completed or upon which operations for drilling have therefore been commenced. Production, drilling or reworking 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 or reworking 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 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 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 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 requirements of fuels leader or any part of the any such cooperative or unit plan of 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 discributed to different particular of the land covered by said leage the plan ot agreement is allocated to adjust the any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation of the land covered by said leage the plan or agreement is allocated to adjust the any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation 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 to the product of the land shall, for the purpose of computing the royalties to be paid hereinder to Lessor, be regarded as having produced from the patientar 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, insolar 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 hereinabove 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 In white the being successors and assigns of Lessor and Lesse IN WITNESS WHEREOF, this instrument is executed as of the date first above written

			-
Lowe	IF.	Renfro	

Callie P. Renfro

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111 signatures must be notavize	l on the	· hack	side of	the	lease	foi m
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SSH

 STATE OF
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 COUNTY OF

Acknowledgment - Individual

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

My Commission Expires:	Address:				
STATE OF	}§ Acknowledgment - Partnership/Trust				
	signed, a Notary Public, in and for said County and State, on this day of				
to me known to be the identical p	erson(s) described in and who executed the within and foregoing instrument of writing duly executed the same asfree and voluntary act and deed for th				
IN WITNESS WHEREC written.	)F, I have hereunto set my hand and affixed by notarial seal the day and year last above				
My Commission Expires:	Address				
STATE OF	} } }§ Acknowledgment - Corporation				
	] ied authority, this day personally appeared				
to me personally known who bein of	g by me duly sworn did say that he is the, and that the seal affixed to said instrument is the corporate seal strument was signed and sealed in behalf of said corporation by authority of its Board d instrument to be the free act and deed of said corporation				

My commission Expires:



¹700 Lincoln, Suite 1700 Derver, Colorado 60203 (303) 630-6000 Fax (303) 630-6009

January 15, 2001



Mr. and Mrs. Lowell E. Renfro #2 County Road 6212 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 2349

Re: Pictured Cliffs Well Proposal ROPCO #8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Renfro:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.375 net acre unleased mineral interest within the spacing unit. The ROPCO #8-4 well will be located in the SE/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Lowell E. Renfro January 15, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	·····	. 2001 we hereby elect the following:
	Participate in pr herewith.	roposed drilli	ng and completion attempt, executed AFE is returned
			e for \$30.00 per net mineral acre, with lease to provide and 12.5% royalty in the event of production.
	Sell mineral rig	hts for \$70.00	0 per net mineral acre.
By:			By:
Printed Name			Printed Name:

### RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Weil Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

Date: 01/15/2001 Objective Formation: Pictured Cliffs

Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Actual
Survey and Permits		3.000	1	
Title Opinion-		1.500		
Drilling (incl. water and mud) 1200' @ 15.00/ft		18.000		
BOP Rental.		750		
Dirt Work		4.000		
Pit Lining.		2.800		
Surface Casing 200' @ 7.18/ft.	1,436			
Casing Head	1,500	:		
		2.3001		
Power Tongs		1.000		
Casing 1200' @ 5.50/ft.	5,600			
		3,000		
Logs		3.500		
Engineering		3.000		
Cement Longstring		4 000		
			51.000	
Total Cost to Pun Casing	9.536	46.850	56.386	
5.9375% Farmington, NM Tax			3,348	
10% Contingency			5.973	
Grand Total to Run Casing	1		65,707	
Completion Costs	į			
Rig Anenors		750;		
Logs		2.500		
Peri		2,000		
Wellhead & Fittings	4,000			
Tubing 1200' @ 2.50/ft	3,000	1		
Stimulation		22,000		
		2,300		
irucking	[	3 000		
Battery Installation		6.000		
Restore Location		3.500		
Engineering		3.250		
Treator, Separator	5,300	0,200		
Flowine	4,000	1		
Tank & Fittings	1,500		1	
5				
	3.0001			
Workover Rig		5.000		
Completion Fluids		1.000		
		1.0001	1	
Pipeline Hookup		13.000	4	
Frac Tank Rental	1	1.250		
Flowback		1.000		
Fence Location	3,300			
Total Completion Costs.	27,100	57.550	94.650	
5.9375% Farmington, NM Tax	·		5.620	
10% Contingency			10.027	
Drilling Costs			65.707	
Grand Total Well Costs			176.004	
LIFFS				\$17

PICT

99.7666% RICHARDSON OPERATING COMPANY	DATE	TeeeC.AED	\$175,592
0 2344% LOWELL E RENFRO	DATE	1966CAED	 3413
CALLIE P. PENFRO	DATE	7565CAED	 F126 201

## OIL AND GAS LEASE

. 2001 by and between THIS AGREEMENT, Made and entered into this____ 11th ___day of___ <u>Janaury</u> Lowell E. Renfro and Callie P. Renfro, a married couple, joint tenants

Whose post office address #2 County Road 6212, Kirtland, New Mexico 87417 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 <u>Ten and more (\$10 & more)</u> 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 goophysical 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 <u>San Juan</u>. State of <u>New Mexico</u> described as follows, to-with

### Township 29 North - Range 14 West, N.M.P.M.

Lot Eight (8) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

#### and containing 0.750 acres, more or less.

* three (3) L. 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, oll or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is than 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 drifting 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 1 essee 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 of on acceage pooled therewith
 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: Ist. 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

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 is 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 acter 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 the interval there for the fourther per term for the late such.

acteretained hereinder, such payment or fender 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 have for damages caused by Lessor's operations to growing crops on said land

8. 9.

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

Ð 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 leaschold 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut in for want of a market under this lease. In ficu 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 surface actes dovered by this lease and method in this barry on the one of the formations there under 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, 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 be event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development particularly, all drilling and development and this lease shall be 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 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; 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 acoust of the component or operation adopted by Lessee and approved by any governmental agency by executing the acoust of the component or operation adopted by Lessee and approved by any governmental agency by executing the acoust of the particular tract of land; and the royalty payment or operation adopted by Lessee and approved by any governmental agency by executing the acoust of the particular tract of land; and the royalty payment or operation adopted by Lessee and approved by any governmental agency by executing the acoust of the particular tract of land; and the royalty payment or opera

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.

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 heits, 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 hereinabove 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 WITHEOF, this instrument is executed as of the date first above written.

SS#

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

Lowell E. Renfro

Callie P. Renfro

SSH

All signatures must be notarized on the back side of the lease form

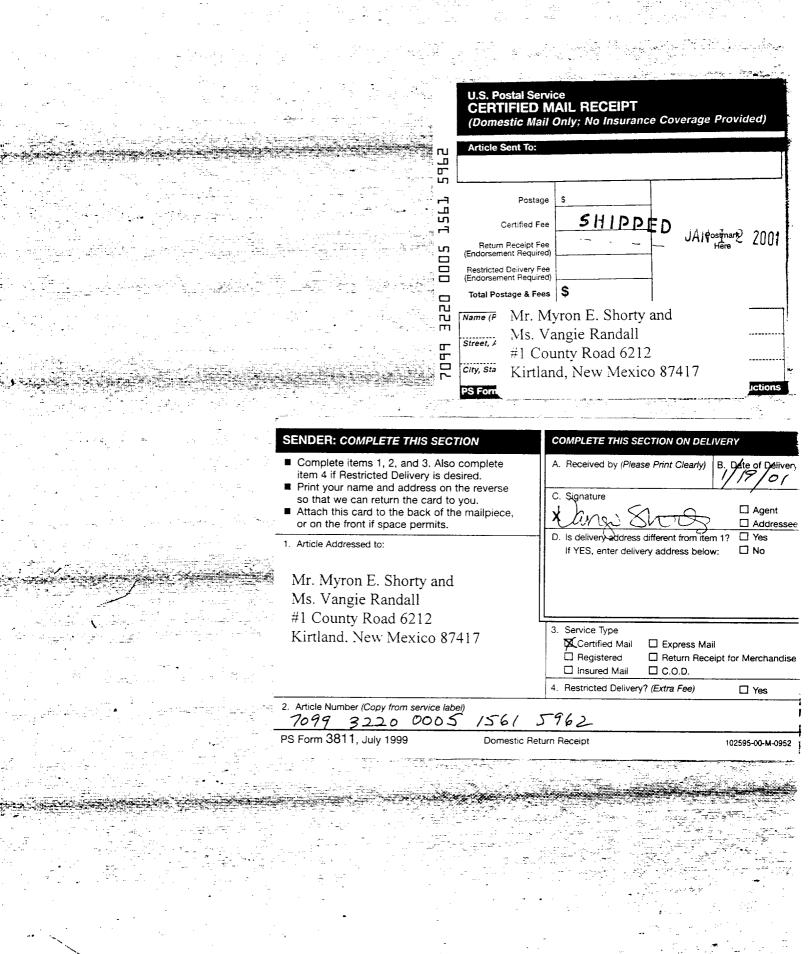
STATE OF	}
	]§
COUNTY OF	1

Acknowledgment - Individual

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this ______day of ______, 2000, personally appeared _______

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

My Commission Expires:	Address:
STATE OF	}
COUNTY OF	<pre>}§ Acknowledgment - Partnership/Trust}</pre>
BEFORE ME, the under	signed, a Notary Public, in and for said County and State, on this day of
	), personally appeared erson(s) described in and who executed the within and foregoing instrument of writing duly executed the same asfree and voluntary act and deed for the h
IN WITNESS WHEREC written.	DF, I have hereunto set my hand and affixed by notarial seal the day and year last above
My Commission Expires:	Address:
STATE OF COUNTY OF	} }§ Acknowledgment - Corporation }
to me personally known who bein	ned authority, this day personally nppeared g by me duly sworn did say that he is the
of said corporation and that said it	, and that the seal affixed to said instrument is the corporate seal istrument was signed and sealed in behalf of said corporation by authority of its Board d instrument to be the free act and deed of said corporation.
	before me, thisday of, 2000.





1700 Lincoin, Suite 1700 Denver, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 11, 2001

Mr. Myron E. Shorty and Ms. Vangie Randall #1 County Road 6212 Kirtland, New Mexico 87417

Certified Mail 7099 3220 0005 1561 5962

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO =8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Shorty and Ms. Randall:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3875 net acre unleased mineral interest within the spacing unit. The ROPCO #8-3 well will be located in the SW/4 of Section 8, Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Myron Shorty and Ms. Vangie Randall January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	, 2001 we hereby elect the following:
	Participate in pr herewith.	roposed drilling and completion attempt, executed AFE is returned
		nd Gas Lease for \$30.00 per net mineral acre, with lease to provide primary term and 12.5% royalty in the event of production.
	_ Sell mineral rig	hts for \$70.00 per net mineral acre.
By:		

Printed Name:_____

Well Name: ROPCO #8-3 SECTION 8 PC SW.14, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruit(and Coal 1000' Pictured Cliffs

## Date: 01/11/2001

Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

ł.	Drilling Costs (Included Run Casing)		Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	Survey and Permits			3.000		1.500)	1.500
	Title Opinion			3,000		1.500	1.500
*	Drilling (incl. water and mud) 1000' @	15.00/ft.+++		15.000		6.375	3.625
	BOP Rental			750		375	375
	Dirt Work			4.000	[	2.000	2.000
	Pit Lining-			2.800		1,400	1,400
	Surface Casing 200' @ 7.18/ft.		1,436		ļ	718	713
	Casing Head		1,500			750	750
	Cement Surface			2.300		1.150	1,150
	Power Tongs			1,000		500	500
	Casing 1000' @ 5.50/ft.		5,500	2,000	1	2.338	3.163
			5,500	3.000		1,500	1,500
	Logs			3,750		1.875	1,800
	Engineering			5,000		2.500	2,500
	Cement Longstring			1 000		1 700	2,300
							and the second second second second second second second second second second second second second second second
	Total Cost to Run Casing		8.436	47.500	56,036	25.181	29.856
	5.9375% Farmington, NM Tax				3,327	1.554	1,773
	10% Contingency			i Protection	5.936	2.773	3.163
	Grand Total to Run Casing			}	65.299 j	30,508	34.791
11.	Completion Costs						
	Rig Anchors			750		375	375
	Logs		5	3.000	Î	1,500/	1.500
	Perf			3.500		1.750	1.750
	Weilhead & Fittings		4 000			2.000	2,000
	Tubing 1000' @ 2.50/ft.		2,500			1.063	1,438
	Stimulation			42.000		21,200	21,000
				2,300	1	1,150	1,150
	Trucking			3 0001		1.500	1.500
	Battery installation		1	5.000		3.000	3,000
	Restore Location			3,5001		1.750	1,750
				5,300		2.900	2.900
	Treator, Separator		5.300	0.000		2.650	2.650
	Flowline		4.000			2.000	2,000
	Tank & Fittings		4,500			2,250	2,250
	Gravel		÷.500i	3.000		1,500	1,500
			I	10.000		5.000	5.000
	Workover Rig					(	
	Completion Fluids			2,000		1.000	1.000
	Ріренле Ноокир			13.000		5.500	5.500
	Division Order Opinion			1,500		750	750
	Frac Тапк Rental			2.500		1.250	1.250
	Flowback		0.000	2.000		1.000	1.000
	Fence Location		3.3001			1.650	1.650
	Total Completion Costs	• • • • • • • • •	23.600	103.850	127,450	63.538	63,913
	5.9375% Farmington, NM Tax				7.567	3,773	3,795
	10% Contingency	· · · · · · · · · · · · ·			13,502	6.731	6.771
	Drilling Costs			ł	65.299	30,508	34.791
	Grand Total Well Costs				213,819	104,550)	109.269
FRUITLAND							
		TE	APPROVED				\$104423
-	MYRON E. SHORTY DA	r=	-PARGVED				5127
	VANGIE RANDALL DA	ΤΕ	APPROVED				
						FO TOTAL	\$104550
PICTURED							
		ATE	APPROVED				\$109269
	MYRON E. SHORTY DA'	TE	APPROVED		· · · · · · · · · · · · · · · · · · ·		2
l	VANGIE RANDALL DA	TE	APPROVED			20 2024	\$109269
				MYRON SHORTY & V	ANCIE DAUDALI	PC TOTAL	\$105205

MYRON SHORTY & VANGIE RANDALL TOTAL

. . . . . . .

## OIL AND GAS LEASE

_day of _____ January__ 2001_, by and between THIS AGREEMENT, Made and entered into this 11th

Myron E. Shorty, an unmarried man, and Vangie Randall, an unmarried woman, joint tenants

Whose post office address is #1 County Road 6212, Kirtland, NM 87417 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.

WITNESSETTI, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>. State of <u>New Mexico</u> described as follows, to-wit:

### Township 29 North - Range 14 West, N.M.P.M.

Lot Nine (9) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing .775 acres, more or less

* three (3) 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 If it is agreed that this lease shall reliable to return the fore (F) years from this date and as long difference as on or gas on watsoever hadre of kind is produced of or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is than 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 driffing 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 fee operations of completion of a well be discovery of oil or gas on said land drifting de a row within ninety (90) days from date of cessation of production or fee operations of completion of a well be discovered and browned and browned of a provide of the primary term, of the available 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 I essee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises

2 Ind. 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).

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 acceretained 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) bein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee
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
When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor

8. No well shall be diilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessot 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, than 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'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 cast or ourising of any other leasehold owner.

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 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 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 therefore been commenced. Production, drilling or reworking 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 or reworking operations or a well shut in for want of a market under this lease. In lieu of the royaltics 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 terminent any spane before a questions to the torus rouditions and providing and providing shall be deemed modified to conform to the terms. into a cooperative or unit plan of development or operation approved by any governmental authority and, from thice to time, with the approval, to modify, enange 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. 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 requirements 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 baving produced from the particular 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. 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 lies 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 hereinabove 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

Myron E. Shorty	Vangie Randall
<u>SS#</u>	<u>SS#</u>

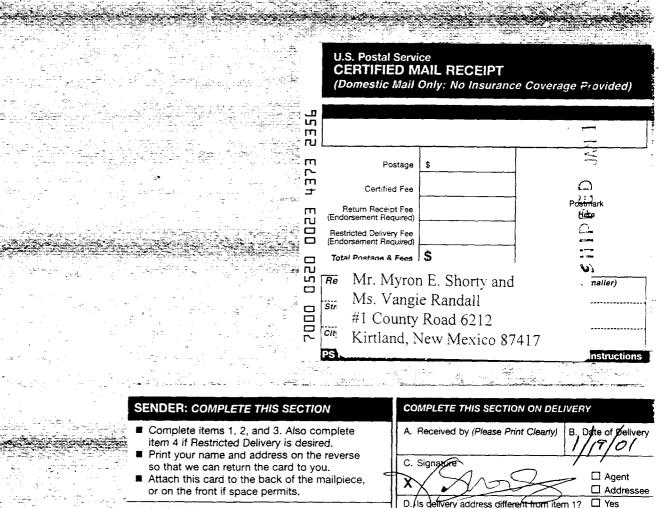
STATE OF	31	Acknowledgment - Individ	ual(s)	
		. Rublin in and for arid County and	State on this	den of
, 2000, perso	onally appeared	Public, in and for said County and		
and to me known to be the identica and acknowledged to me that uses and purposes therein set f	da	ibed in and who executed the within uly executed the same as	i and foregoing instrum free and voluntary act	nent of writing and deed for th
IN WITNESS WHER written.	EOF, I have here	unto set my hand and affixed by no	tarial seal the day and j	year last above
My Commission Expires:				
		Address:		
*****			*****	*****
STATE OF				
COUNTY OF	)§ }	Acknowledgment - Partner	ship/1rust	
, 20	00, personally ar	Public, in and for said County and preared		
to me known to be the identical and acknowledged to me that uses and purposes therein set for	du	bed in and who executed the withir ily executed the same as	and foregoing instrum free and voluntary act i	nent of writing and deed for the
IN WITNESS WHERI written.	EOF, I have herei	unto set my hand and affixed by no	tarial seal the day and y	year last above
My Commission Expires:				
		Address:		
	*****	******		
STATE OF		Acknowledgment - Corport	tion	
COUNTY OF	}	Acknowiengment - Corport		
BEFORE ME, the unders to me personally known who be	signed authority, sing by me duly s	this day personally appeared		
of and that said instrument was sig acknowledge said instrument to	and and sealed in	e seal affixed to said instrument is t n behalf of said corporation by aut nd deed of said corporation.	he corporate seal of sai hority of its Board of I	d corporation Directors who
Sworn to and subscribe	ed before me, this	sday of, 2000.		

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1. Article Addressed to:

Mr. Myron E. Shorty and Ms. Vangie Randall #1 County Road 6212 Kirtland, New Mexico 87417

3. Service Type Certified Maii 
Express Maii Registered
Receipt for Merchandise

ITYES, enter delivery address below:

4. Restricted Delivery? (Extra Fee)

2. Article Number (Copy from service label) 7000 0520 0023 4373 2356

omestic Return Receipt

102595-00-M-0952

Yes

🗆 No



1700 Lincoin, Suite 1700 Denver, Colorado 30203 (303) 330-3000 Fax (303) 830-8009

January 15, 2001



Mr. Myron E. Shorty and Ms. Vangie Randall #1 County Road 6212 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 2356

Re: Pictured Cliffs Well Proposal ROPCO ≠8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Shorty and Ms. Randall:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.3875 net acre unleased mineral interest within the spacing unit. The ROPCO #8-4 well will be located in the SE/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. Shorty and Ms. Randall January 15, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colly

Cathleen Colby Land Manager

On this	day of	, 2001 we hereby elect the following:
	Participate in proposed herewith.	drilling and completion attempt, executed AFE is returned
		Lease for \$30.00 per net mineral acre, with lease to provide term and 12.5% royalty in the event of production.
	Sell mineral rights for \$	570.00 per net mineral acre.
By:		By:
Printed Name:	·	Printed Name:

### RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE/4 Location: T29N R14W, San Juan County, NM Proposed Depth: 1200'

Date: 01/15/2001 Objective Formation: Picturea Cliffs

Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Actual
Survey and Permits		3,000		
Title Opinion.		1.500		
Drilling (incl. water and mud) 1200' @ 15.00/ft.		18.000		
BOP Rental		750		
Dirt Work		4,000		
Pit Lining.		2,800		
Surface Casing 200' @ 7.18/ft.	1,436			
Casing Head	1,500			
	1,000	2,300		
Power Tongs		1,000		
	6.600	2.000		
Casing 1200' @ 5.50/ft.	0.000	2 000		
		3.000!	ì	
Logs		3,500		
Engineering		3,000		
Cement Longstring.		4.0001		
Total Cost to Run Casing	9,536	46.850	56,386	
5.9375% Farmington, NM Tax			3,348	
10% Contingency			5,973	
Grand Total to Run Casing			65,707	
Completion Costs				
Rig Anchors		7501		
Logs		2.500		
Perf		2,000		
	1 0001	2,000		
Wellhead & Fittings	4,000	ł		
Tuping 1200' @ 2.50/ft.	3.000			
Stimulation		22,000		
Tool Rental		2,300		
Trucking		3.000		
Battery Installation		5.000		
Restore Location		3.5001		
Engineering		3.250)		
Treator, Separator	5.300			
Flowiine	4.000			
Tank & Fittings	4.500			
Gravel	3.000			
Workover Rig.		5.000		
Completion Fluids		1.000		
Division Order Opinion.		1,000		
Pipeline Hookup		13.000		
Frac Tank Rental		1.250		
Fiowback		1.000		
Fence Location	3.300	1.000		
	the second second second second second second second second second second second second second second second s		24 (50)	
Total Completion Costs	27.100	67.550	94.650	
5.9375% Farmington, NM Tax			5,620	
10% Contingency		1	10.027	
Drilling Costs			65.707	
Grand Total Well Costs			176.004	

99 7578% RICHARDSON OPERATING COMPANY	DATE	APPROVED	 \$175.578
0 2422% MYRON E. SHORTY	DATE	76660AED	 \$426
VANGIE RANDALL	DATE	75660AED	

\$176,004

# **OIL AND GAS LEASE**

2001 by and between day of January THIS AGREEMENT. Made and entered into this 11th

Myron E. Shorty, an unmarried man, and Vangie Randall, an unmarried woman, joint tenants

Whose post office address is #1 County Road 6212, Kirtland, NM 87417

and Richardson Production Company whose post office address is 1700 Lincoln, Suite 1700, Denver, CO 80203, hereinafter called Lessee

WITNESSETTI, That the Lessor, for and in consideration of <u>Ten and more (\$10 & more)</u> 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 <u>San Juan</u>, State of <u>New Mexico</u>, described as follows, to-wit:

### Township 29 North - Range 14 West, N.M.P.M.

Lot Nine (9) of the PARAMOUNT SUBDIVISION, San Juan County, New Mexico, as shown on the Plat of said Subdivision filed for record November 7, 1996 in Map File P-77, Book 1229, Page 59 Section 8:

heremafter called Lessor (whether one or more)

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing .775 acres, more or less

lease shall continue in force as long as operations are being continuously prosecuted on the leased prentises 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 exestation of production or from date of completion of dry hole. If oil or gas shall be discovered and preduced 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. Lesser 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 average surrendered.

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

Divided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee 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 When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
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. The rights of Lessor and Lesson way be assigned in whole or nat. No change in ownership of Lessor's interest (by assignment or otherwise) she 6. 7.

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10.

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 tille from Lessor, than 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 or respect to present or nume drytsion or ressor'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 many line in the right.

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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for ware fee medica completed on upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or reworking 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 on production from the unit so pooled royalies 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 thereinder 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 dilling 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.

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 hereinabove 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 Lessor and Lessor. WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS, WILLINESS,

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

Myron E. Shorty	Vangie Randall
SS#	<u>SS#</u>

COUNTY OF	18	Acknowledgment - Individual(s)	
COUNTY OF		<i></i>	
		Public, in and for said County and State, on this	
and		bed in and who executed the within and foregoing instru	
and acknowledged to me the uses and purposes therein	lhatdu	bed in and who executed the within and foregoing instru- ily executed the same as free and voluntary act	and deed for the
IN WITNESS W	/HEREOF, I have heree	unto set my hand and affixed by notarial seal the day and	year last above
My Commission Expires:	:		
		Address:	
STATE OF			
COUNTY OF	}§ }	Acknowledgment - Partnership/Trust	
BEFORE ME, the c	undersigned, a Notary , 2000, personally ap	Public, in and for said County and State, on this peared	day of
asof		peared	
to me known to be the ider	hucar person(s) describ	bed in and who executed the which and foregoing instruc-	nent of writing
and acknowledged to me th uses and purposes therein		ly executed the same asfree and voluntary act	
and acknowledged to me th uses and purposes therein	set forth.	into set my hand and affixed by notarial seal the day and	
and acknowledged to me th uses and purposes therein IN WITNESS WI	) set forth. (HEREOF, I have hereu		
and acknowledged to me th uses and purposes therein IN WITNESS WI written.	) set forth. (HEREOF, I have hereu		year last above
and acknowledged to me th uses and purposes therein IN WITNESS WI written.	) set forth. (HEREOF, I have hereu	into set my hand and affixed by notarial seal the day and j	year last above
and acknowledged to me th uses and purposes therein IN WITNESS WI written.	) set forth. (HEREOF, I have hereu 	into set my hand and affixed by notarial seal the day and 	year last above
and acknowledged to me th uses and purposes therein IN WITNESS WI written. My Commission Expires:	) set forth. (HEREOF, I have hereu 	into set my hand and affixed by notarial seal the day and j	year last above
and acknowledged to me th uses and purposes therein IN WITNESS WI written. My Commission Expires: STATE OF COUNTY OF BEFORE ME, the u o me personally known w	<pre>&gt; set forth. /HEREOF, I have hereu </pre>	into set my hand and affixed by notarial seal the day and Address:	year last above
and acknowledged to me th uses and purposes therein IN WITNESS WI written. My Commission Expires: STATE OF COUNTY OF BEFORE ME, the u o me personally known w of und that said instrument w	<pre>/HEREOF, I have hereu /HEREOF, I have hereu //HEREOF, I have he</pre>	into set my hand and affixed by notarial seal the day and 	year last above

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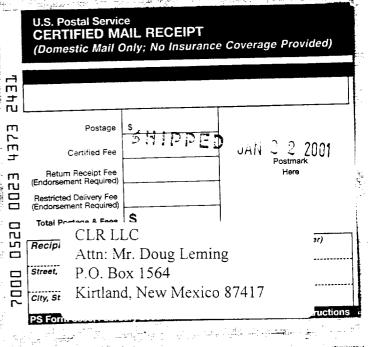
.

J.

My commission Expires:

_____

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| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|--|--|
| Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. | A. Received by (Please Print Clearly) B. Date of Defive
Debbie Derret 1/25101
C. Signature
X Debbie Derret Address
D. Is delivery address different from item 1? Yes |
| 1. Article Addressed to: | If YES, enter delivery address below: |
| CLR, LLC
Attn: Mr. Doug Leming | |
| P.O. Box 1564
Kirtland, New Mexico 87417 | 3. Service Type X_Certified Mail Express Mail Registered Return Receipt for Merchandi Insured Mail C.O.D. |
| | 4. Restricted Delivery? (Extra Fee) |
| 2. Article Number (Copy from service label)
7000 0520 0023 4373 | 2431 |
| PS Form 3811, July 1999 Domestic R | eturn Receipt 102595-00-M-095 |



1700 Lincoln, Suite 1700 Derivet, Colorado 80203 (303) 830-8000 Fax (303) 830-8009

January 22, 2001

CLR, LLC Attn: Mr. Doug Leming P.O. Box 1564 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 2431

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO #8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. Leming:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.9185 net acre unleased mineral interest within the spacing unit. The ROPCO \neq 8-3 well will be located in the SW/4 of Section 8, Township 29 North, Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by February 5, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

CLR, LLC January 22, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by February 5, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colla

Cathleen Colby Land Manager

| On this | day of | 2001, we hereby elect the following: |
|---------|---------------------------------|--|
| | Participate in pro
herewith. | posed drilling and completion attempt. executed AFE is returned |
| | | d Gas Lease for \$30.00 per net mineral acre, with lease to provide orimary term and 12.5% royalty in the event of production. |
| | Sell mineral righ | ts for \$70.00 per net mineral acre. |
| By: | | |

Printed Name:\_\_\_\_\_

AUTHORITY FOR EXPEDITURES

Well Name: ROPCO #8-3 SECTION 8 PC SW/4, FC S/2 Location: T29N R14W Proposed Depth: 850' Fruitland Coal 1000' Pictured Cliffs

Date: 01/22/2001

Dejective Formation: Commingled Pictured Cliffs and Fruitiand Coal

| 1. | Drilling Costs (Included Run Casing) | | Tangible | Intangible | Total | Fruitland Coal | Pictured Cliffs |
|----------|---|---------------|----------------------|------------|--------------|----------------|-------------------|
| | Survey and Permits | | | 3.000 | | 1.500 | 1,500 |
| | Title Opinion- | | | 3.000 | | 1.500 | 1,500 |
| | * Drilling (incl. water and mud) 1000' @ 15.0 | 00/ft | | 15,000 | | 6.375 | 8,625 |
| | BOP Rental | | | 750 | | 375 | 375 |
| | Dirt Work | | | 4,000 | | 2.000 | 2,000 |
| | Pit Lining. | | | 2.800 | | 1.400 | 1.400 |
| | Surface Casing 200' @ 7.18/ft. | | 1,436 | | ļ | 718 | 718 |
| | Casing Head | | 1,500 | | | 750 | 750 |
| | Cement Surface | | | 2,300 | | 1,150 | 1,150 |
| | Power Tongs. | | | 1,000 | | 500 | 500 |
| | Casing 1000' @ 5.50/ft | • • • • • • • | 5,500 | | | 2.338 | 3.163 |
| | Trucking | • • • • • • | | 3.000 | | 1,500 | 1,500 |
| | Logs | | | 3,750 | | 1,875 | 1.875 |
| | Engineering | • • • • • | | 5,000 | | 2,500 | 2,500 |
| | Cement Longstring | | | 4.000 | | 1.700 | 2.300 |
| | Total Cost to Run Casing | | 3,436 | 47.600 | 56.036 | 26,181 | 29,856 |
| | 5.9375% Farmington, NM Tax | | | | 3.327 | 1,554 | 1,773 |
| | 10% Contingency | | | | 5.936 | 2 773 | 3.163 |
| | Grand Total to Run Casing | | | | 65.2991 | 30 5081 | 34.791 |
| 11. | Completion Costs | | | | 1 | | |
| | Rig Anchors | | | 750 | | 375 | 375 |
| | Logs | | | 3,000 | | 1,500 | 1,500 |
| | Perf | | | 3.500 | | 1,750 | 1,750 |
| | Weilhead & Fittings | | 4.000 | | | 2,000 | 2,000 |
| | Tubing 1000' @ 2.50/ft. | | 2,500 | | | 1,063 | 1,438 |
| | Stimulation | | 2,000 | 42,000 | | 21,000 | 21.000 |
| | | | 1 | 2.3001 | | 1,150 | 1.150 |
| | | | | 3.000 | | 1,500 | 1,500 |
| | Battery Installation | | | 6.000 | | 3.000 | 3.0001 |
| | Restore Location | | | 3.500 | | 1,750 | 1,750 |
| | | | | 5.800 | | 2,900 | 2,900 |
| | Treator, Separator | | 5,300 | 0.000 | 1 | 2,650 | 2.650 |
| | Flowline | | 4,000 | | | 2.000 | 2,000 |
| | Tank & Fittings | | 4,500 | | | 2,250 | 2,250 |
| | Gravei | | | 3.000 | | 1.500 | 1,500 |
| | Workover Rig | | | 10.000 | | 5.000 | 5,000 |
| | Completion Fluias | | | 2,000 | ()

 | 1,000 | 1,000 |
| | Pipeline Hookup | | | 13.000 | | 6.500 | 6,500 |
| | Division Order Opinion | | | 1,500 | | 750 | 750 |
| | Frac Tank Rental | | | 2,500 | | 1.250 | 1,250 |
| | Flowback | | | 2.000 |] | 1.000 | 1.000 |
| | Fence Location | | 3,300 | 2.000 | l | 1.650 | 1.650 |
| | Total Completion Costs | | 23,600 | 103,850 | 127.450 | 53.538 | 63.913 |
| | 5.9375% Farmington, NM Tax | | 23,500 | 102,0201 | 7,567 | 3.773 | 3,795 |
| | 10% Contingency | | 1 | | 13,502 | 6.731 | 6.771 |
| | | | | | | | |
| | Drilling Costs | • • • • • • • | | | 65,299 | 30.508 | 34.791 |
| | Grand Total Well Costs | | | <u> </u> | 213,819 | 104.550 | 109.269 |
| FRUITLAN | | | | | | | |
| | | | APPROVED | | | | \$104249
\$300 |
| 0 28/03 | % CLR LLC DATE_ | | APPROVED | | | | 3300 |
| | | | | | | SC TOTAL | \$104550 |
| | | | | | | | |
| PICTURED | | | 10000//00 | | | | \$108642 |
| | | | APPROVED
APPROVED | | | | 3627 |
| J.J/400 | DATE_ | | | | | | |
| | | | | | | PC TOTAL | \$109259 |
| | | | | | | CIRLIC TOTAL | 5927 |

CLR LLC TOTAL

\$927

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OIL AND GAS LEASE

| THIS AGREEMENT, Made and entered into this | 22nd | day of | January | , 2001 , by and between | | |
|---|------|--------|---------|--|--|--|
| CLR, LLC | | | | | | |
| Whose post office address is P.O. Box 1564, Kirtland, NM 8741 | 17 | | herein | nafter called Lessor (whether one or more) a | | |

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 <u>Ten and more (\$10 & more)</u> DOI LARS cash in hand paid, the receipt of which is heret acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and be exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, an operating for and producing thereform oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereor to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>, State of <u>New Mexico</u>, described as follows, to we

Township 29 North - Range 14 West, N.M.P.M.

Section 8: See Exhibit "A", attached hereto and made a part hereof.

No well shall be drilled on the leased premises without first obtaining Lessors' written consent.

and containing <u>1.8370</u> acres, more or less • three (3)

I. 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 than 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

operations for the triming of a subscription well. If after observery of on organ sing and of on acreage pooled interval, the production interval solution cease from any seaffer 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 of 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 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 herem, 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. 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 welt and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8).

 4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as toyalty 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 1f 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.

herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided lee.
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 that been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete chain of freesort line from the or otherwise, less hall be available are other short by with respect to payment; thereafter are not be offer and the shortbare. 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, than 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'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 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 exists with respect to each other loaves of 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 exists with respect to each 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 exists with respect to each other loave of leases. Likewise, units previously formed

with other land, lease of leases in the introduce vicinity for the production of other and gas, of separately for the production of enter, when in the clease of studgenent 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking 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 or producting form for more the unit of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations provide the unit for ward of a market under this lease. In lieu of the reworking operations for drive the production of the includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or the unit in the unit of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or a well shut in for ward of a market under this lease. In lieu of the reworking operations or a well shut in for warket under this leas 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 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 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. 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 wherefy the production is allocated to different portious of the land covered by said plan, then the production allocated to any narticular 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; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall furmally express Lessor's consent to any cooperative or unit plan of development or operation adopted by 1 essee 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, Otder, 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 hereinabove 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.

CLR, LLC

BY:

Tax 1D #

All signatures must be notarized on the back side of the lease form

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year last above |
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| and acknowledged to me thatduly executed the same as free and voluntary act a uses and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and y written. My Commission Expires: | and deed for t
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| BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this | day of |
| , 2001, personally appeared | |
| and acknowledged to me thatduly executed the same asfree and voluntary act a uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and y written. | and deed for t |
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}§ Acknowledgment - Corporation | |
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| COUNTY OF} BEFORE ME, the undersigned authority, this day personally appeared | |
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COUNTY OF} | id corporation |

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Exhibit "A"

Lease Description for Oil and Gas Lease between CLR, LLC, Lessor, to Richardson Production Company, Lessee, dated January 22, 2001.

The following tract of land situated in Section 8, in Township 29 North of Range 14 West, NMPM, described as follows:

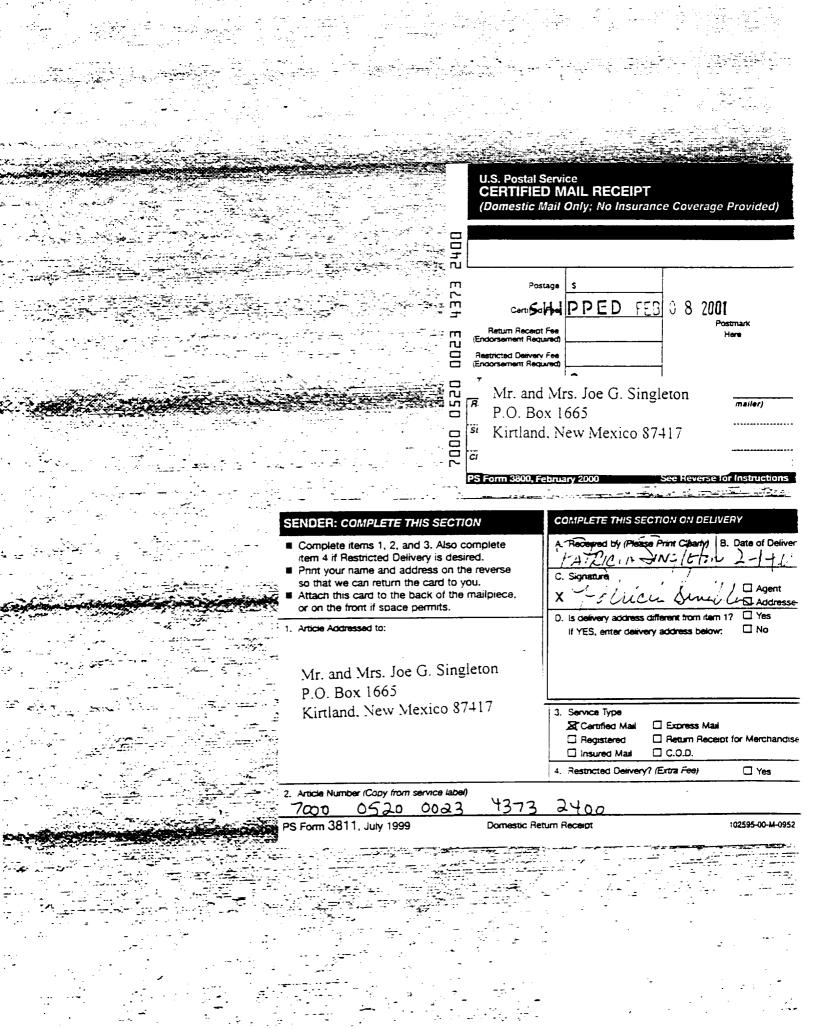
BEGINNING at a point on the North Right-of-Way line of U.S. Highway 550, 411.4 feet South 89 degrees 21 minutes West and 2611.74 feet North 71 degrees 28 minutes West of the Southeast corner of Section 8, Township 29 North, Range 14 West, NMPM; THENCE North 71 degrees 28 minutes West 200 feet; THENCE North 0 degrees 17 minutes East 400 feet; THENCE South 71 degrees 28 minutes West 200 feet; THENCE South 71 degrees 17 minutes West 400 feet to the point of beginning.

Containing 1.8370 acres, more or less San Juan County, New Mexico

SIGNED FOR IDENTIFICATION

CLR, LLC

Ву:\_\_\_\_\_





1700 Lincoin, Suite 1700 Deriver: Colorado 30203 (303) 830-8000 Fax (303) 330-3009

February 8, 2001

Mr. and Mrs. Joe G. Singleton P.O. Box 1665 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 2400

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO =8-3 Well S-2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Singleton:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.90 net acre unleased mineral interest within the spacing unit. The ROPCO \neq 8-3 well will be located in the SW/4 of Section 8. Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S/2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by February 22, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300% 100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Joe G. Singleton February 8, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

÷.,

Your response is respectfully requested by February 22, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Colby Land Manager

| On this | day of | | . 2001 we hereby elect the following: | | | |
|---------------|---|-------------|--|--|--|--|
| | Participate in proposed drilling and completion attempt, executed AFE is returned herewith. | | | | | |
| | | | e for \$30.00 per net mineral acre, with lease to provide
1 and 12.5% royalty in the event of production. | | | |
| | Sell mineral right | s for 570.0 | 0 per net minerai acre. | | | |
| By: | - <u></u> | | By: | | | |
| Printed Name: | | | Printed Name: | | | |

RIUMARUSUN UPERALING COMPANY AUTHORITY FOR EXPEDITURES

| Well Name: ROPCO ≈8-3 SECTION 8 | PC SW/4, FC S/2 |
|-------------------------------------|-----------------|
| Location: T29N R14W | |
| Proposed Depth: 350' Fruitland Coal | |
| 1000' Pictured Cliffs | |

Date: 01/11/2001 Objective Formation: Commingled Pictured Cliffs and Fruitland Coal

| : | Drilling Costs (Included Run Cas | • | Tangible | Intangible | Total | Fruitland Coal | Pictured Cliffs |
|--------------------------------|---|-----------------------|--|-------------|---|----------------|--|
| | Survey and Permits | | | 3 0001 | | 1 5001 | 1.500 |
| | Title Opinion | | | 3.0001 | | 1.500 | 1,500 |
| • | Druling (incl. water and mud) 100 | 00'@15.00/ft.com | | 15,000 | | 6.375 | 3,625 |
| | 30P Rental | | | 750 | - | 375 | 375 |
| | Dirt Work. | | | 1 000 | 1 | 2,000 | 2.000 |
| | Pit Lining. | | | 2,300 | | 1,400 | 1,400 |
| | Surface Casing 200' @ 7.18/ft. | | 1,436 | 2.000 | 1 | 718 | 718 |
| | Casing Head- | | 1,500 | | | 750 | 750 |
| | Casing Head | | 1.5001 | 2 200 | | 1 <sup>-</sup> | |
| | | | | 2.300 | | 1,150 | 1,150 |
| | Power Tongs | | | 1,000 | : | 500 | 500 |
| | Casing 1000' @ 5.50/ft. | | 5,500(| 1 | | 2.338 | 3.16 |
| | Frucking. | | | 3.000 | | 1.500 | 1.500 |
| | _0gs | | | 3.75C) | ļ | 1 375 | 1.37 |
| | Engineering | | | 5.000 | | 2.500 | 2,500 |
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| | Grand Total to Run Casing | | | ł | 65 2991 | 30 5081 | 34 791 |
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| | Rig Anchors | | | 7301 | | 375 | 375 |
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| | | | | 42.0001 | | 21.0001 | |
| | Stimulation | • | | | | | 21.000 |
| | Tool Rental | | | 2,3001 | | 1,1501 | 1.150 |
| | Trucking | | | 3.0001 | | 1.5001 | 1,500 |
| | Battery installation | | | 6,0001 | | 3.000 | 3.000 |
| | Restore Location | | | 3.5001 | | 1.7501 | 1,750 |
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| | Treator, Separator | . · · | 5.3001 | 1 | | 2,650 | 2,650 |
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| | Norkover Rigersee | | | 10.0001 | | 5,0001 | 5.000 |
| | Completion Fluids | and the second second | | 2,0001 | | 1.0001 | 1.000 |
| | Этрение Ноокир | | | 13.0001 | | 5.5001 | <i>5.500</i> |
| | Division Order Opinion | | | 1.5001 | | 7501 | 750 |
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| | Dritting Costs | | | | 65 <u>2991</u> | 30 5081 | 34 791 |
| | Grang Total Well Costs | | | | 213 8194 | 104 550 | 109,269 |
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OE & PATRICIA SINGLETON TOTAL

OIL AND GAS LEASE

HHS AGREEMENT, Made and entered into this

Joe G. Singleton and Patricia B. Singleton, husband and wife

Whose post office address P.O. Box 328, Farmington, New Mexico 87499 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

WHNESSETH, That the Lessor, for and in consideration of <u>Len and more (\$10, & more)</u> DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, denised, leased and let, and by these presents does print, denise, lease and let exclusively into the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by goophysical 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 fines, and crection of structures therein to produce, save and take care of said products, all that certain tract of land situated in the County of <u>San Juan</u>, State of <u>New Mexico</u> described as follows, to wit

Township 29 North - Range 14 West, N.M.P.M.

See Exhibit "A", attached hereto and made a part hereof Section 8:

No well shall be drilled on the leased premises without first obtaining Lessons' written consent.

and containing 1.80 acres, more or less

\* fluce (3) 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 pas 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 I essee is than engaged in drilling or re-working operations thereon, then this lease shall continuously prosecuted if not more than nucly (90) days shall clapse between the completion or nbandonment of one well nud operations shall be operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acceage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if t.essee commences additional drilling or re-working operations within ninety (90) days from date of cessition 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 project 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 reheved 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 al 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-ciplith (1/8) of the pross proceeds each year, payable quarterly, for the pas from each well where pas only is found, while the same is hemp used off the premises, and it used in the manufacture of pasoline a royalty of one eighth (1/8), payable monthly at the prevailing market rate for pas 3rd. To pay Lessor for gas produced from any off well and used off the premises or in the manufacture of pasoline or any other product a royalty of one-eighth (1/8).

of the proceeds, at the month of the well, payable monthly at the prevailing market rate 4. Where gas from a well capable of producing pas is not sold or used. Lessee may pay or tender as royalty to the royalty owners. One Dollar per year per net royalty acceretained hereunder, such payment or tender to be made on or before the anniversary date of this lease dext 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 all 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 tee simple therein, then the tovalties (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 tee

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 leet to the house or barn now on said premises without written consent of Lessor.

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Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. 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, than then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lesser. No present or future division of Lessor's ownership as to different portions or parcels of said hand 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. It all or any part of this lease is assigned, no leasehold owner shall be liable In 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 bereunder, to pool or unitize the leasehold estate and the mineral estate evolution of any this lease with other land, lease or leases in the immediate vicinity for the production of oil and pas, 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. I devise, 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 therefore been completed or upon which operations for drilling have therefolore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this leave shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a unkeet under this lease. In lice of the royalties elsewhere herein specified, including shut in gas royalties, I essor 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, I essee shall have the right 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 mitize, 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, shall be deemed modified to conform to the terms, conditions, or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement. In the event that said above described fands 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 purpose of computing the royalities to be paid heremder to Lessor, be regarded as having produced from the particular to allocated to any particular tract of land shall, for the purpose of computing the royality to be made heremder to Lessor is even shall be based upon production only as onlicented to land; and the royalty to be made heremder to be to so shall be based upon production only as onlicented to laws on hereford by any governmental or portation and protoved by any governmental nearby exercise to some the event that and the royalty payments to be made heremder to Lessor shall be based upon production only as onlicented Lessor shall is allocated and not to any other tract of land; and the royalty payments or be made heremoder to formally express Lesson'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, 19 Lesson nereoy warrants and agrees to detend the fue to the fands 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 fieus on the above described lands, in the event of default of payment by Lesson 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 hereinabove 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 the first successors and assigns of Lessor.

he hinding on the heirs, successors and assigns of Lessor and Lessee

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

| loc | <u>G.</u> | Sing | le | lon | |
|-----|-----------|------|----|-----|--|
| | | | | | |

Patricia B. Singleton

551 • • • •

<u>\$</u>51

| STATE OF | } | | |
|--------------------------------|---|--|--|
| COUNTY OF | 16 | Acknowledgment - Individual | |
| BEFORE ME, th | e undersigned, a Nota
_, 2000, personally ap | iry Public, in and for said County and State, on this
opeared | And and a set of sectors in application of these |
| and to me known to be the ider | itical person(s) describ | bed in and who executed the within and foregoing instrum | nent of writing |
| uses and purposes therein | set forth | ily executed the same as free and voluntary act | and acea for me |
| IN WITNESS WI above written | HEREOF, I have here | unto set my hand and allixed by notarial seal the day and | year last |
| My Commission Expires | - | Address | |
| | | | |
| STATE OF |] | Acknowledgment - Partnership/Trust | |
| COUNTY OF | | | |
| BEFORE ME, th | e undersigned, a Nota
_, 2000, personally ap | uy Public, in and for said County and State, on this
preared | day of |
| to me known to be the ider | ntical person(s) descri
natdu | bed in and who executed the within and foregoing instru-
ily executed the same as free and voluntary act | nent of writing – |
| IN WITNESS WI | HEREOF, I have here | unto set my hand and affixed by notarial seal the day and | ycar last above |
| My Commission Expires | | Address | ~ |
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| |)
}§ | Acknowledgment - Corporation | |
| COUNTY OF |] | | |
| to me personally known w | the being by me duly s | this day personally appeared | corporate seal |
| of said corporation and the | at said instrument was | signed and scaled in behalf of said corporation by author
to be the free act and deed of said corporation | ity of its Board |
| Sworn to and sub | oscribed before me, th | isday of 2000 | |

My commission Expires.

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Exhibit "A"

Lease Description for Oil and Gas Lease between Joe G. Singleton and Patricia B. Singleton, husband and wife, Lesson, to Richardson Production Company, Lessee, dated January 11, 2001.

A tract of land in the Southwest Quarter of the Southeast Quarter (SW/4SE/4) of Section Eight (8), Township 29 North, Range 14 West, NMPM, described as follows:

BEGINNING at a point on the North right of way line of U.S. Highway No. 550 from which the Southeast corner of said Section bears South 71 degrees 31 minutes 00 seconds East 2011.74 feet along said right of way line and North 89 degrees 18 minutes 00 seconds East 409.36 feet, more or less; THENCE North 71 degrees 31 minutes 00 seconds West 200.00 feet along said North right-of-way line; THENCE North 00 degrees 14 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 200.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 200.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 200.00 feet; THENCE South 71 degrees 14 minutes 00 seconds East 200.00 feet; THENCE South 71 degrees 14 minutes 00 seconds East 200.00 feet;

Containing 1.80 acres, more or less San Juan County, New Mexico

SIGNED FOR IDENTIFICATION ...

•

Patricia B. Singleton

Joe G. Singleton



1700 Lincoln, Suite 1700 Deriver, Colorado 30203 (303) 830-3000 Fax: 303) 830-3009

January 11, 2001

Mr. and Mrs. Joe G. Singleton P.Q. Box 328 Farmington: New Mexico 87499

Certified Mail 7099 3220 0005 1561 6211

Re: Fruitland Coal and Pictured Cliffs Well Proposal ROPCO =8-3 Well S/2-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Singleton:

Richardson Production Company proposes to drill a downhole commingled Fruitland Coal and Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.90 net acre unleased mineral interest within the spacing unit. The ROPCO \neq 8-3 well will be located in the SW/4 of Section 8. Township 29 North. Range 14 West. The spacing unit for the Fruitland Coal will be the S.2, and the spacing unit for the Pictured Cliffs formation will be the SW/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 26, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300% 100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Joe G. Singleton January 11, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 26, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Collaz

Cathleen Colby Land Manager

| | On this | jav of | , 2001 we hereby elect the following: |
|--|---------|--------|---------------------------------------|
|--|---------|--------|---------------------------------------|

Participate in proposed drilling and completion attempt, executed AFE is returned herewith.

Enter into Oil and Gas Lease for \$30.00 per net mineral acre, with lease to provide for a three year primary term and 12.5% royalty in the event of production.

Seil mineral rights for \$70.00 per net mineral acre.

By:\_\_\_\_\_

Printed Name:\_\_\_\_\_



1700 Lincoin, Suite 1700 Derver, Colorado 30203 (303) 830-8000 Fax: 3031 830-8009

3-7-01

No ano.

February 8, 2001

(505)573-6100

Mr. and Mrs. Joe G. Singleton P.O. Box 1665 Kirtland, New Mexico 87417

Certified Mail 7000 0520 0023 4373 2400

Re: Pictured Cliffs Well Proposal ROPCO #8-4 Well SE:4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Singleton:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.90 net acre unleased mineral interest within the spacing unit. The ROPCO =8-4 well will be located in the SE/4 of Section 8. Township 19 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by February 22, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate. Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Joe G. Singleton February 8, 2001 Page 2

- 1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production
- 2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by February 22, 2001.

Should you have any questions, please do not hesitate to call.

RICHARDSON PRODUCTION COMPANY

Cathleen Golla

Cathleen Colby Land Manager

| On this | day of | | . 2001 we hereby elect the following: |
|---------------|--|-------------|---|
| | Participate in propo
herewith. | sed drilli | ng and completion attempt, executed AFE is returned |
| | Enter into Oil and Gas Lease for \$30.00 per net mineral acre, with lease to provide for a three year primary term and 12.5% royalty in the event of production. | | |
| | Seil mineral rights : | for \$70.00 |) per net mineral acre. |
| By: | | <u> </u> | By: |
| Printed Name: | | | Printed Name: |

RICHARDSON OPERATING COMPANY AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 8-4 SECTION 8-SE, 4 Location: T29N R14W, San Juan County, NM Proposed Depth: 12001

Date. 01.15.2001 Dejective Formation: Pictured Cliffs

| ١. | Drilling Costs (Included Run Casing) | Tangible | Intangible | Total | Actual |
|---------|--|------------------|---|----------|----------|
| | Survey and Permits | | 3.000 | | |
| | Title Opinion- | | 1,500 | | |
| | Drilling (incl. water and mud) 1200' @ 15.00/ft | | 13,000 | | |
| | SOP Rental- | | 750 | | |
| | Dirt Work- | | 4.000 | | |
| | Pit Lining- | | 2,3001 | | |
| | Surrace Casing 200' @ 7-18/ft | 1,436 | 1 | 1 | |
| | Casing Head | 1.5001 | | | |
| | Cement Surface. | | 2.300 | (| |
| | Power Tongs | | 1,0001 | | |
| | Casing 1200' @ 5.50/ft. | 6,600 | | | |
| | | | e occi | | |
| | Trucking. | | 3.5001 | | |
| | Engineering | | 3.0001 | 1 | |
| | Cament Longstring | | ± 0001 | 1 | |
| | Total Cost to Run Casing | 9 5 3 6 | - 6001 | 56 386 | |
| | | 9,0201 | -0.5001 | | |
| | 5.9375% Farmington, NM Tax | | | 3 348, | |
| | 10% Contingency | | P= | 5 9731 | |
| | Grand Total to Run Casing | •. | | 65.707 | |
| н. | Completion Costs | 1 | : | | |
| | Rig Anonorse electronic electronic | | 7501 | | |
| | _2gs | i | 2,5001 | | |
| | 201 | | 2.0001 | : | |
| | Neilhead & Fittings | 4 0001 | | | |
| | Tuoing 1200" @ 2.50/ft, and a second second second | 3.000 | İ | | |
| | Stimulation | | 22.0001 | | |
| | Tool Rental | | 2.3001 | | |
| | Trucking | | 3.0001 | | |
| | Battery installation | : | 5,0001 | | |
| | Pestore Location | | 3,5001 | , | |
| | Engineering | | 3,2501 | | |
| | Treator, Separator | 5,3001 | 0.2001 | | |
| | Flowine | 4 3001 | | | |
| | Tank & Fittings | 4 6001
4 6001 | | | |
| | Gravel | 3.0001 | | | |
| | Araveli | 3.0001 | E 2001 | | |
| | | : | 5,0001 | | |
| | Completion Fluids | · | 1,0001 | | |
| | Division Craer Opinion | | 1.0001 | 1 | |
| | Piseline Hookup | , | 13.0001 | : | |
| | Егас Тапк Rental | | 1,2501 | | |
| | Flowback | | 1.0001 | | |
| | Pence Location | 3.3001 | · · · · · · · · · · · · · · · · · · · | | |
| | Total Completion Costs | 27,100) | 57,550 | 94 650 | |
| | 5.9375% Farmington, NM Tax | | | 5.6201 | |
| | 10% Contingency | | l de la de la de la de la de la de la de la de la de la de la de la de la de la de la de la de la de la de la d | 10.027 | |
| | Orithing Costs- | | ļ | 65.7071 | |
| | Grand Total Well Costs | | | 176.0041 | |
| | | | | | |
| URED CI | | 12000450 | | | 5175.014 |
| - | RICHARDSON OPERATING COMPANY DATE
LOE G. SINGLETON DATE | +PPPCVED | | | 31/0.014 |
| | LOE G SINGLETON DATE | 12200VED | | | 2220 |

\$176.004

OIL AND GAS LEASE

2001 by and between THIS AGREEMENE, Made and entered into this\_\_\_\_ <u>11th</u> \_day of \_\_\_\_\_January\_\_\_\_\_

Joe G. Singleton and Patricia B. Singleton, husband and wife

Whose post office address P.O. Box 328, Farmington, New Mexico 87499 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

WUNESSELII, That the Lessor, for and in consideration of <u>ten and more (\$10 & more</u>) DOLLARS cash in hund paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has pranted, demised, leased and let, and by these presents does prant, demise, lease and let exclusively into the said Lessee, the land hereinafter described, with the exclusive right for the purpose of munip, 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 <u>San Juan</u>. State of <u>New Mexico</u> described as follows, to wit

Township 29 North - Range 14 West, N.M.P.M.

Section 8: See Exhibit "A", attached hereto and made a part hereof

No well shall be drilled on the leased premises without first obtaining Lessors' written consent

and containing [1,80] acres more or less

\* three (1) 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 pay of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drifting prelations are continued as heremafter 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 than engaged in drifting or re working operations therein, 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 hom the leased premises or on accept pooled therewith 2. This is a PAID-UP LFASE. In consideration of the down cash payment, I essor agrees that I essee 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 funes 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 filmp for record a release or releases, and be relieved of all obligation thereafter accruing as to the acceage 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 pas only is found, while the same is being used off the premises, and if used in the manufacture of gasobine 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 gasobine 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 pas is not sold or used. Lessee may pay or tender as royalty to the royalty owners. One Dollar per year per net royalty

acce retained becemder, 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 11 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 fand 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 hears to the whole and undivided fee

Lessee shall have the right to use, free of cost, gas, oil and water produced on said laud for Lessee's operation thereon, except water from the wells of Lessor. When requested by Lessor, Lessee shall havy Lessee's pipe line below plow depth 6 7

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lesson Lessee shall pay for damages caused by Lessee's operations to growing crops on said land. 8

 It as a shall have the right consists by received of permisers provide and investigated on said premises, including the right to draw and remove easing
 It. 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 tille from Lessor, than 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 cularge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. It 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

22. Lessee, at its option is needy given the right and power at any time and from time to time as a rectaring right, enter before or after production, as to and power of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, fease 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 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 therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut a well has incretore been completed of upon which operations for drining have incretoring over commenced. Froduction, drilling or reworking operations of 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 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, I essor 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, I essee 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 summer by other any other of the above described lands as to one or more of the formations thereunder with other lands in the summer by other of surface. 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 tense shall be deemed modified to conform to the terms, conditions, terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lense shall be decreded minuted to continue to be terms, conditions and provisions of this lense, such plan of development requirements of such plan or agreement, and this lense, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lense shall not terminate or expire during the life of such plan or agreement. and the event that said above described lands or any part thereof, shall be reaffer be operated under any such conpetative or unit plan of development requirements of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the toyallies to be paid hereunder to Lessor, be regarded as having produced from the particular tract of land to which the react of land to be paid hereunder to Lessor. it is allocated and not to any other tract of land; and the royalty payments to be made hereinider 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 Le by payment, any mortgages, taxes or other hens 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 dosser 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 LS. Should any one or more of the parties hereinabove 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 a such as the parties of the parties between 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

Patricia B. Singleton Joe G. Singleton 550 550 ... in must be used a read on the back sale of the leave form

Exhibit "A"

:

Lease Description for Oil and Gas Lease between Joe G. Singleton and Patricia B. Singleton, husband and wife, Lesson, to Richardson Production Company, Lessee, dated January 11, 2001.

A tract of land in the Southwest Quarter of the Southeast Quarter (SW/4SE/4) of Section Eight (8), Township 20 North, Pange 14 West, UNIPM, described as follows:

BEGINNING at a point on the North right of way line of U.S. Highway No. 550 from which the Southeast corner of said Section bears South 71 degrees 31 minutes 00 seconds East 2011.74 feet along said right of way line and North 89 degrees 18 minutes 00 seconds East 409.36 feet, more or less; THENCE North 71 degrees 31 minutes 00 seconds West 200.00 feet along said North right of way line; THENCE North 00 degrees 14 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 400.00 feet; THENCE South 71 degrees 31 minutes 00 seconds East 400.00 feet;

i.

Containing 1.80 acres, more or less San Juan County, New Mexico

SIGNED FOR IDENTIFICATION

Patricia B. Singleton

Joe G. Singleton

| STATE OF | | |
|---|--------------------------------------|--|
| COUNTY OF | 16
1 | Acknowledgment - Individual |
| | | stary Public, in and for said County and State, on thisday of appeared |
| | | |
| to me known to be the identical | t person(s) desc | ribed in and who executed the within and foregoing instrument of writing
duly executed the same as liee and voluntary act and deed for the |
| IN WITNESS WHER above written . | EOF, Thave he | rennto set my hand and afficied by notarial seal the day and year last |
| My Commission Expires | | Address |
| | | |
| STATE OF | | Acknowledgment - Partnership/Trust |
| COUNTY OF |) | |
| BEFORE ME, the unit | dersigned, a No
100, personally : | stary Public, in and for said County and State, on this day of appeared |
| as of
to me known to be the identical
and acknowledged to me that
uses and purposes therein set fo | | appeared |
| IN WITNESS WHER written | FOF, Thave her | reunto set my hand and affixed by notarial seal the day and year last above |
| My Commission Expires | | Addage |
| | | Address |
| | | |
| STATE OF | | |
| COUNTY OF | 1§
l | Acknowledgment - Corporation |
| to me personally known who b | eing by me dub | y, this day personally appeared |
| of said corporation and that said | d instrument wr | , and that the seal affixed to said instrument is the corporate seal
as signed and sealed in behalf of said corporation by authority of its Board
it to be the free act and deed of said corporation |
| Sworn to and subscrib | red before me, (| thisday of, 2000 |
| | | , |
| My commission Expires | | Notary Public |

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1



RICHARDSON PRODUCTION COMPANY

1700 Lincoln, Suite 1700 Deriver: Doprado 30203 (303) 330-3000 Fax: 3031 530-5009

January 15, 2001



Mr. and Mrs. Joe G. Singleton P.O. Box 328 Farmington, <u>New Mexico</u> 87499

Certified Mail 7099 3220 0005 1561 5979.

Re: Pictured Cliffs Well Proposal ROPCO =8-4 Well SE/4-Section 8-T29N-R14W San Juan County, New Mexico

Dear Mr. and Mrs. Singleton:

Richardson Production Company proposes to drill a Pictured Cliffs well on the captioned lands. A recent check of the county records indicates that you own a 0.90 net acre unleased mineral interest within the spacing unit. The ROPCO \pm 8-4 well will be located in the SE 4 of Section 3. Township 29 North, Range 14 West. The spacing unit for the Pictured Cliffs formation will be the SE/4.

Enclosed for your review is an AFE itemizing the estimated costs for the well. In the event you wish to participate in this drilling and completion attempt, please return an executed copy of the AFE to the undersigned by January 29, 2001. Upon receipt of your executed AFE, or by prior written request, we will forward an AAPL Form 610 Joint Operating Agreement for your review and execution, providing for, among other things, a 300%/100% nonconsent penalty and \$5000 drilling/\$500 producing overhead rates.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest:

Mr. and Mrs. Joe G. Singleton January 15, 2001 Page 2

1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$30.00 per net acre and a 12.5% royalty in the event of production

۰.

2. Sell all of your mineral interest for \$70.00 per net acre

Your response is respectfully requested by January 29, 2001.

Should you have any questions, please do not hesitate to call.

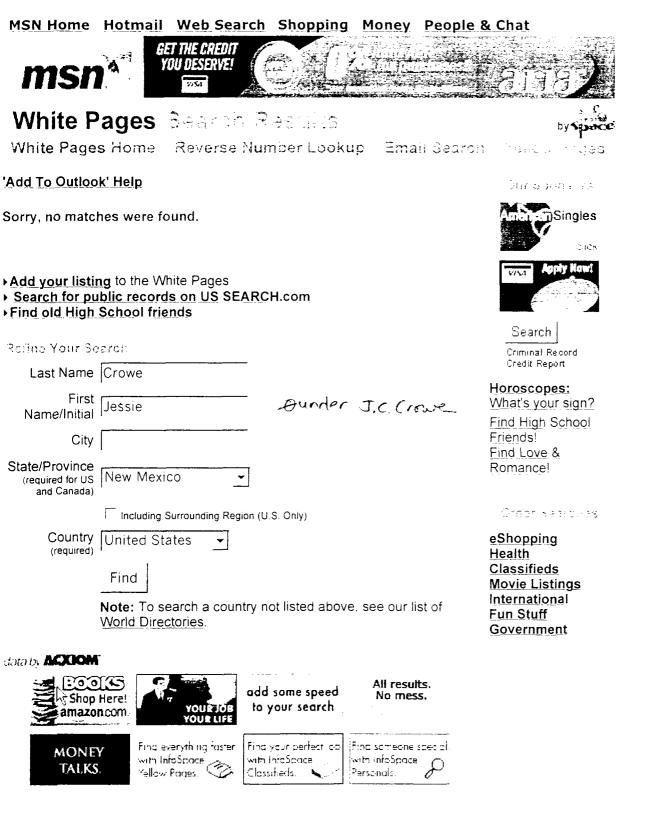
RICHARDSON PRODUCTION COMPANY

Cuthleen Collay

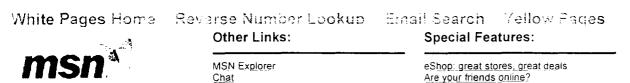
Cathleen Colby Land Manager

| On this | day or | | , 2001 we hereby elect the following: | | |
|---------------|--|--------------|---|--|--|
| | Participate in prop
herewith. | oosed drilli | ng and completion attempt, executed AFE is returned | | |
| | Enter into Oil and Gas Lease for \$30.00 per net mineral acre, with lease to provide
for a three year primary term and 12.5% royalty in the event of production.
Seil mineral rights for \$70.00 per net mineral acre. | | | | |
| | | | | | |
| By: | | | Bv: | | |
| Printed Name: | | | Printed Name: | | |

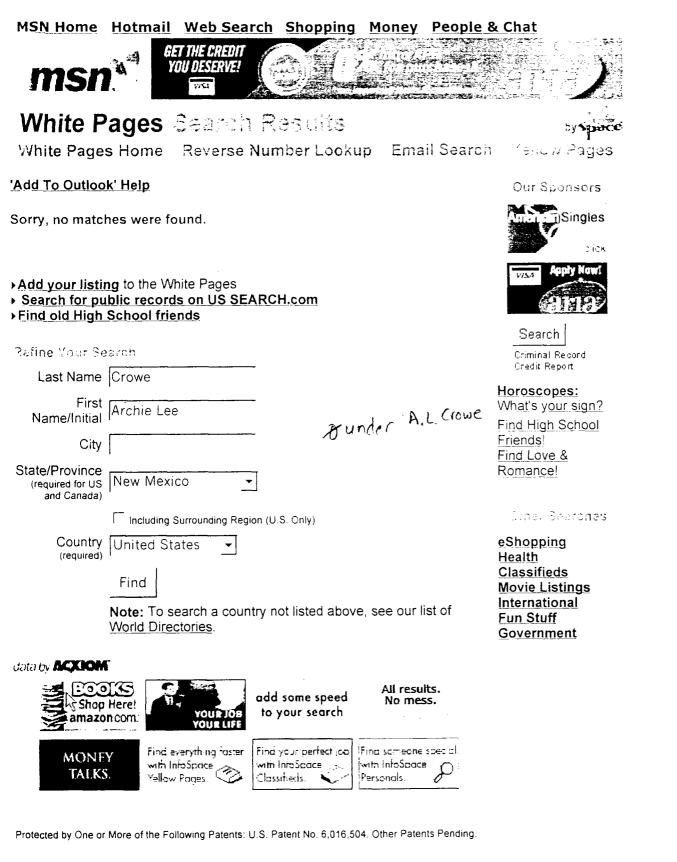
| | 9. | Lowell E. Renfro and Callie P. Renfro,
a married couple, j/t
#2 County Road 6212
Kirtland, NM 87417
(description in WD 1223-896) |
|---|--------|---|
| | 10. | Myron E. Shorty, an unmarried man and Vangie
Randall, an unmarried woman, j/t
#1 County Road 6212 7748
Kirtland, NM 87417
(description in WD 1236-211) |
| | 11. | Oscar M. Lucero, a single man and Sharon L.
Smith, a single woman, j/t
P.O. Box 1412
Fruitland, NM 87416
(description in WD 1238-344) |
| | 12. | Yucca Incorporated, a New Mexico corporation
Lots 2 & 3 in Block 1 of the YUCCA INCORPORATED
INDUSTRIAL SUBDIVISION, as shown on the Plat of States
said Subdivision filed for record January 27, 1958. |
| | 13. | Virginia Gustin, a single person
Box 533
Kirtland, NM 87417
Lots 19 & 20 in Block 1 of the YUCCA
INCORPORATED INDUSTRIAL SUBDIVISION, as
shown on the Plat of said Subdivision filed for record
January 27, 1958. |
| | 14. | Virginia R. Piercey
P.O. Box 895
Kirtland, NM 87417
Lots 21 and 29 in Block 1 of the YUCCA
INCORPORATED INDUSTRIAL SUBDIVISION, as
shown on the Plat of said Subdivision filed for record
January 27, 1958. |
| | 15. 🔿 | Jessie C. Crowe and Mrs. Archie Lee Crowe, his wife
(No addresssgot at 387-91 and conveyed out at
484-270 SRO)Jeremy C. Duncan tract in SESE
(description in WD 805-473) |
| - 17. Sheryl Lynn | 16. | Hugh J. Toledo, an unremarried widower and
Tamara Lynn Toledo, a single woman, as j/t
P.O. Box 1416
Fruitland, NM 87416
(description in WD 1231-150) |
| - 17. Sheryl Lynn
#B Countiff Road 6212
Kirtland, NM 87417
Panamount Subdivision | -lot 6 | |
| | -= | |

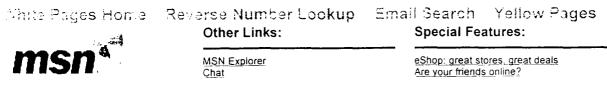


Protected by One or More of the Following Patents: U.S. Patent No. 6.016,504. Other Patents Pending.



http://kevdb.infospace.com/info.msn/kevdb?OTMPL=%2Fres%2Fr1.html&QFM=N&QK=5&QN=Crow... 04/09/2001





NMPRC Corporation Information Inquiry

New Search

Public Regulation Commission

10/5/2000

YUCCA INCORPORATED

SCC Number: 0368977

Tax & Revenue Number:

Incorporation Date: OCTOBER08, 1957, in NEW MEXICO Corporation Type: DOMESTIC PROFIT Corporation Status: FORFEITED Good Standing: Purpose:

CORPORATION DATES

Taxable Year End Date: Filing Date: // Expiration Date: 10/08/2057

SUPPLEMENTAL POST MARK DATES

Supplemental: Name Change: Purpose Change:

MAILING ADDRESS

423 E MAIN FARMINGTON, NEW MEXICO 87401

PRINCIPAL ADDRESS

PRINCIPAL ADDRESS (Outside New Mexico)

REGISTERED AGENT

ROBERT L. LEIGHTON

313 W MAIN FARMINGTON NEW MEXICO 87401

Designation date: 10/08/57 Agent Post Mark Date: Resignation date:

COOP LICENSE INFORMATION

Number: Type: Expiration Year:

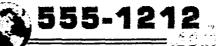
INCORPORATORS

DIRECTORS

Date Election of Directors:

A Leighton (505) 325-2542 disconnetted









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Yucca Plaza

TAOS, NM

BELEN, NM

Yucca Realty

Yucca Realty

LAS CRUCES, NM

Yucca Moving And Storage

216 Paseo Del Pueblo Norte

Yucca R V & Self Storage

2260 Highway 304

1101 N Riverside Dr

ESPANOLA, NM

ESPANOLA, NM

Yucca Roofing Co

Rt 2 Box 305-41

SANTA FE, NM

Yucca School 310 Dale Scott Ave

Yucca Package Liquors & Office

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Gow

Power Search - Heip

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Web Site Finder

555@Hand™ Wireless Tools

555@Work™ **Corporate Products**

AT&T **Communications** Center

555 eStore

Register

35 10% 35 Intro APR Click here! Yucca Telecommunications Systems Inc 201 W 2nd St PORTALES, NM

Yucca Trailer Sales

ALAMOGORDO, NM

505-524-3667 About

[next]

Map & More

505-397-3285 About

Map & More

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About Map & More

505-861-0382 About

Map & More

505-753-7159

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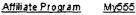
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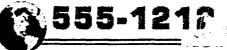
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About Map & More

505-397-1817









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Web Site Finder

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555@Work<sup>™</sup> Corporate Products

AT&T Communications Center

555 eStore

Register

að low að 2.9% VISA Intro APR Click herel **Yucca Mobile Village** 1114 S 4th St ARTESIA, NM

Yucca Motel

Results 11-20 of 33

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505-877-0666

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505-746-3711 About

Map & More

505-885-3251

About Map & More

505-374-9132

About Map & More

505-769-4420

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About

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505-487-2272

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Listings

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All Listings

Yucca Diesel Service Inc

4813 Williams St SE

Yucca Electric

901 N 13th St

Yucca Flats 711 Tierra Del Sol

Yucca Floral

CLAYTON, NM

1500 Sycamore St

CLOVIS, NM

Yucca Lounge 1401 E Broadway St

HOBBS, NM

Yucca Junior High School

417 N 1st St

ARTESIA, NM

CARLSBAD, NM

ALBUQUERQUE, NM

5004 1 2 Isleta Blvd SW

ALBUQUERQUE, NM

Yucca Elementary School