

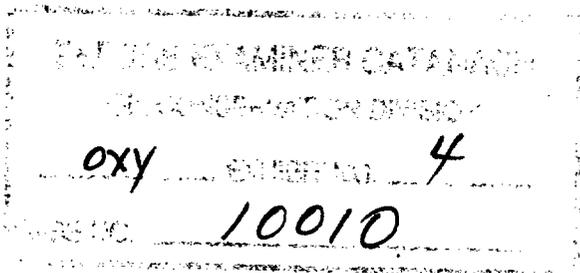
BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

Certified #P 154 192 200

June 15, 1990

Re: 1/4th interest in a Lot
of land 60' X 150' in the
SW/corner of Tract 8,
Block 28, and
1/4th interest in all of
Tracts 7 and 9, Block 28
all in La Huerta Sub-
division in Section 29,
T-21-S, R-27-E
Eddy County, New Mexico
Net 2.735 acres



Mr. Alvin Perrin
1710 North Decator #9
Las Vegas, Nevada 89108

Dear Mr. Perrin:

According to a check of the County Records of Eddy County, New Mexico you are the record owner of the above described mineral interest.

I am representing OXY USA Inc. who owns the balance of the leasehold interest in the E/2 of Section 29, T-21-S, R-27-E, Eddy County, New Mexico.

OXY USA Inc. proposes to drill a 11810' Strawn-Morrow test well in the E/2 of Section 29 immediately.

We invite you to join OXY and pay your proportionate share of the cost of drilling and completing the test well. If you desire to join please execute the AFE and return in the enclosed envelop. Or we will purchase an Oil and Gas Lease on your interest at the rate of \$150.00 per acre with a 3/16ths royalty.

If you desire to lease, please handle the Oil and Gas Lease, Ratification and Rental Division Order and draft as follows:

1. Execute the Oil and Gas Lease and Ratification and Rental Divison Order (both instruments) before a notary public.
2. Endorse the draft.

3. Then place the lease, ratification and draft (all three instruments) in your bank with instructions to be forwarded to the First City National Bank in Midland, Texas, for collection.

Your immediate attention will be appreciated as we are filing an application to compulsory pool with the Oil Conservation Division, State of New Mexico on July 1, 1990.

If you have any questions, please call.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Bill Seltzer". The signature is written in dark ink and is positioned above the printed name "Bill Seltzer".

Bill Seltzer

BS/kp
Enclosures

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Alvin Perrin
 1710 N. Decatur, #9
 Las Vegas, NV 89108

4. Article Number
 P 154 192 200

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature -- Address *Alvin Perrin*
 X

6. Signature -- Agent
 X

7. Date of Delivery
 6-15-90

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P 154 192 200

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

Sent to Alvin Perrin	
1710 N. Decatur, #9	
Las Vegas, NV 89108	
P.O. State and ZIP Code	
Postage	\$.65
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.40
Postmark or Date 6/15/90	

PS Form 3800, June 1985

OIL AND GAS LEASE

THIS AGREEMENT made this 15th day of June, 1990, between
Alvin Perrin, dealing in his separate property

Lessor (whether one or more), whose address is: 1710 N. Decatur, #9, Las Vegas, Nevada 89108
and Bill Seltzer, 214 W. Texas, Suite 507, Midland, Texas 79701 Lessee, WITNESSETH:

1. Lessor in consideration of Ten and no/100 Dollars
(\$ 10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in

Eddy County, New Mexico, to-wit:
A 60' X 150' lot in the SW/corner of Tract 8, Block 28 and all of Tracts 7 and 9, Block 28, all in the La Huerta Subdivision in Section 29, T-21-S, R-27-E

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ~~XXX~~ three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessor are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or portion or mineral substance covered hereby to any cooperative or unit agreement or other lawful governmental operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

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

Alvin Perrin

SS#:

INDIVIDUAL ACKNOWLEDGMENT

STATE OF ~~NEW MEXICO~~ Nevada } ss.
County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by Alvin Perrin, dealing in his separate property

My commission expires _____, 19____ Notary Public
Printed Name: _____

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO } ss.
County of _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____ President of _____ a _____ corporation on behalf of said corporation.

My Commission Expires: _____ Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ } ss.
County of _____

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

My commission expires _____, 19____ Notary Public

Producers 88 Rev. (5 Year Lease) (10-57)

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 19____

No. Acres _____

_____ County, N. M.

Term _____

This instrument was filed for record on the _____ day of _____, 19____

at _____ o'clock _____ M., and duly

recorded in Book _____, Page _____

of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

RATIFICATION AND RENTAL DIVISION ORDER

To: Bill Seltzer Lessee

You are the owner of a mineral lease dated June 15, 1990, recorded in

Vol., at page, of the Records of

Eddy County (Parish), State of New Mexico, between

Alvin Perrin, dealing in his separate property

as Lessors, and Bill Seltzer
 as Lessee, in so far as said lease covers the following land situated in said County (Parish) and State:
 A 60' X 150' lot in the SW/corner of Tract 8, Block 28 and all of
 Tracts 7 and 9, Block 28, all in the La Huerta Subdivision in Section
 29, T-21-S, R-27-E

We, the undersigned parties, hereby authorize you to pay or tender rentals under said lease in accordance with the provisions thereof to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease or to the respective depository set out below opposite such party's name, and in the following amounts:

CREDIT TO	PERCENTAGE Interest	AMOUNT	DEPOSITORY
Alvin Perrin	2.735 ac.	None Paid Up Lease	<hr/> <hr/>

Each of the undersigned parties agrees that payment or tender of said rentals as set forth above will protect said lease and continue same in force as therein provided in so far as said lease covers the interest of such undersigned party in said land. Each undersigned party, however, certifies only the interest, if any, set forth above opposite such party's name.

This division order covers only payment of delay rentals under said lease as to said land and does not cover royalty payments thereunder.

The provisions hereof shall be binding upon our respective heirs, legal representatives, successors and assigns, except that payment of rentals under said lease as to said tract to an assignee of any undersigned party shall be made to the depository bank named in said lease, if different from the respective depository specified above.

Said lease is hereby ratified and confirmed and declared to be in full force and effect, and the undersigned hereby lease, let and demise the lands described in said lease, unto the record owners and holders of said lease, its successors and assigns, upon the terms and conditions set out in said lease.

EXECUTED this day of, 19.....

.....
 Alvin Perrin

SS#:

TEXAS AND NEW MEXICO-ACKNOWLEDGMENTS

STATE OF Nevada
COUNTY OF
Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared Alvin Perrin, dealing in his separate property known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same as free act and deed for the purpose and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of ___, A. D. 19__.

(New Mexico)

Notary Public in and for
County,

Printed Name:

STATE OF
COUNTY OF
Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same as free act and deed for the purpose and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of ___, A. D. 19__.

(New Mexico)

Notary Public in and for
County

Printed Name:

STATE OF
COUNTY OF
Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same as free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of ___, A. D. 19__.

(New Mexico)

Notary Public in and for
County

Printed Name:

STATE OF
COUNTY OF
Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same as free act and deed for the purpose and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of ___, A. D. 19__.

(New Mexico)

Notary Public in and for
County, Texas

Printed Name:

CORPORATE ACKNOWLEDGEMENT - TEXAS OR NEW MEXICO

STATE OF
COUNTY OF
Before me the undersigned authority, on this day personally appeared
known to me to be the person whose name is subscribed to the foregoing instrument as of, a corporation, and acknowledged to me that he executed the same, on behalf of said corporation, for the purposes and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office, this the ___ day of ___, A. D. 19__.

(New Mexico)

Notary Public in and for
County

Printed Name:

On approval of lease described hereon, and an approval of title to same by drawee not later than 30 days after arrival of this draft at collecting bank.

FOR COLLECTION ONLY

DATE June 15, 1990

PAY TO THE ORDER OF Alvin Perrin

\$110.25

Four Hundred Ten and 25/100

DOLLARS

June 15, 1990

A 60' X 150' lbt in the SW/
corner of Tract 8, Blk. 28,
and covering
Eddy Co., NM (2.735 ac. X 150.00 pa = 410.25)
La Herta subdivision, Sec. 29, T-21-S, R-27-E

This draft is drawn to pay for Oil and Gas lease, dated June 15, 1990, and all of tracts 7 & 9, Blk. 28, La Herta subdivision, Sec. 29, T-21-S, R-27-E, Eddy Co., NM (2.735 ac. X 150.00 pa = 410.25)

The drawer, payee and endorsers hereof, and the grantors of the lease described hereon, do hereby constitute and appoint the collecting bank escrow agent to hold this draft for the time above specified subject alone to acceptance of payment hereof by the drawee, within said time, and without any right of the drawer, payee or endorsers hereof, or said grantors, to recall or demand return of this draft prior to the expiration of the above specified time, and there shall be no liability whatsoever on the collecting bank for refusal to return the same prior to such expiration.

In the event this draft is not paid within said time, the collecting bank shall return the same to forwarding bank and no liability for payment or otherwise shall be attached to any of the parties hereon.

TO: **Bill Seltzer, Drawee**

AT: **First City National Bank of Midland**
Midland, Texas
Collecting Bank

By *Bill Seltzer*

Requested by: J. Carroll
32-44 (11-84)

CITIES SERVICE OIL AND GAS CORPORATION
DETAILED WELL ESTIMATE

Prepared by: S. E. Gengler
OXY USA Inc.

LEASE - WELL NO. Simpson A #2 DATE 4/18/90
LOCATION 1980' FSL & FEL PROP. DEPTH 11810'
S 29 T 21-S R 27-E COUNTY Eddy STATE NM AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 13-3/8" 48# H-40 ST&C			600'		13,200	13,200		
8-5/8" 24# K-55 ST&C			2400'		28,800	28,800		
8-5/8" 32# K-55 ST&C			600'		8,500	8,500		
5-1/2" 17# N-80 LT&C			10480'		104,800			
5-1/2" 20# N-80 LT&C			1330'		15,950			
Well head connections	A				10,000			
Tubing 2-3/8" 4.7# N-80 EUE 8rd	A		11800'		43,400			
Sucker rods								
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5,000			
Packer & Accessories	A				4,000			
TANK BATTERY								
Stock tanks	A	300	2		7,000			
Separator, heater treater, dehydrator	A				12,000			
Meter run and housing					2,500			
Labor & transportation					5,000			
Total Tangibles					260,150	50,500		
INTANGIBLES								
Contract drilling labor 11810' @ \$15/foot					177,150	177,150		
Rotary day work 6 days @ \$4000/day					24,000	24,000		
Service rig work 12 days @ \$1100/day					13,200			
Subsurface casing equipment					2,500	1,500		
D. S. T., electric, radioactivity logs, etc.					50,000	47,000		
Acidizing, fracing					45,000			
Perforating					6,000			
Misc. company and contract labor					12,000	10,000		
Road building, location					25,000	25,000		
Cement and cementing service					25,000	19,000		
Cement squeeze jobs								
Drilling mud, chemicals					30,000	30,000		
Diamond coring & analyses, bits, reamers					18,000	18,000		
Mud logging unit 30 days @ \$350/day					10,500	10,500		
Rental of miscellaneous equip.					20,000	15,000		
Contract hauling					10,000	8,000		
Water, fuel					15,000	10,000		
Miscellaneous incidentals					12,000	8,000		
Total Intangibles					495,350	403,150		
Total estimated cost - 100% -					755,500	453,650		
Total estimate C. S. -					%			

APPROVED BY OPERATOR

OXY USA Inc.
R. L. Doty
R. L. Doty, Exploitation Manager

6-15-90
Date

APPROVED BY NON-OPERATOR _____

BILL SELTZER214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

Certified #P 154 192 170

July 2, 1990

Re: T-21-S, R-27-E
Section 29: All of Lots
7 and 9, Block 28, La
Huerta Subdivision
Eddy County, New Mexico

Mr. Fred L. O'Cheskey, Jr.
Individually and as Personal
Representative of the Estate of
Fred L. O'Cheskey, Sr.
Lora Lee O'Cheskey Thomas
Sandra Jean O'Cheskey Martin
Walter Ross O'Cheskey
4139 Coe Drive NE
Albuquerque, New Mexico 87110

Dear Mr. O'Cheskey:

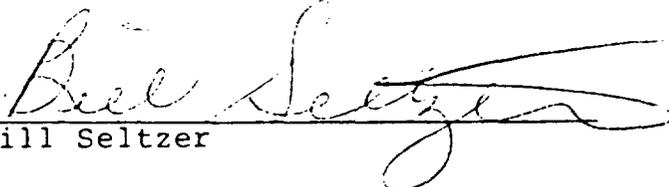
Pursuant to your oral agreement with my representative, Mr. Mark Hannifin of Midland, Texas, on May 17, 1990, I forwarded to you an Oil and Gas Lease, Ratification and Rental Division Order and draft covering the above lands.

On June 21, 1990, I forwarded you a letter requesting that you and your family expedite the execution of the Oil and Gas Lease that I forwarded on May 17, 1990 as OXY USA Inc. was planning to commence operations to drill a well on the acreage in July, 1990.

In the event you desire to join and pay your proportionate share of the cost of drilling and completing the test well we request that you execute the attached AFE and return in the enclosed envelop.

We would appreciate your immediate attention as we have this date filed an application with the Oil Conservation Division, Santa Fe, New Mexico, to compulsory pool all outstanding interest owners.

Yours very truly,


Bill SeltzerBS/kp
Enclosure

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Fred L. O'Cheskey, Jr.
 4139 Coe Drive NE
 Albuquerque, NM 87110

4. Article Number
 P 154 192 170

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X *Fred L. Cheskey*

6. Signature - Agent
 X

7. Date of Delivery
 7-2-90

P 154 192 170

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 See Reverse

Fred L. O'Cheskey, Jr.	
4139 Coe Drive NE Albuquerque, NM 87110	
Postage	.25
Registration Fee	.85
Return Receipt (showing to whom delivered, date, and address of delivery)	.90
TOTAL Postage and Fees	2.00
Postmark or Date 7/2/90	

PS Form 3800, June 1985

Requested by: J. Carroll
32-44 (11-84)

CITIES SERVICE OIL AND GAS CORPORATION
DETAILED WELL ESTIMATE

Prepared by: S. E. Gengler
DOW DOTY
S.E.G.

LEASE - WELL NO. Simpson A #2 DATE 4/18/90
LOCATION 1980' FSL & FEL PROP. DEPTH 11810'
S 29 T 21-S R 27-E COUNTY Eddy STATE NM AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 13-3/8" 48# H-40 ST&C			600'		13,200	13,200		
8-5/8" 24# K-55 ST&C			2400'		28,800	28,800		
8-5/8" 32# K-55 ST&C			600'		8,500	8,500		
5-1/2" 17# N-80 LT&C			10480'		104,800			
5-1/2" 20# N-80 LT&C			1330'		15,950			
Well head connections	A				10,000			
Tubing 2-3/8" 4.7# N-80 EUE 8rd	A		11800'		43,400			
Sucker rods								
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5,000			
Packer & Accessories	A				4,000			
TANK BATTERY								
Stock tanks	A	300	2		7,000			
Separator, heater treater, dehydrator	A				12,000			
Meter run and housing					2,500			
Labor & transportation					5,000			
Total Tangibles					260,150	50,500		
INTANGIBLES								
Contract drilling labor 11810' @ \$15/foot					177,150	177,150		
Rotary day work 6 days @ \$4000/day					24,000	24,000		
Service rig work 12 days @ \$1100/day					13,200			
Subsurface casing equipment					2,500	1,500		
D. S. T., electric, radioactivity logs, etc.					50,000	47,000		
Acidizing, fracing					45,000			
Perforating					6,000			
Misc. company and contract labor					12,000	10,000		
Road building, location					25,000	25,000		
Cement and cementing service					25,000	19,000		
Cement squeeze jobs								
Drilling mud, chemicals					30,000	30,000		
Diamond coring & analyses, bits, reamers					18,000	18,000		
Mud logging unit 30 days @ \$350/day					10,500	10,500		
Rental of miscellaneous equip.					20,000	15,000		
Contract hauling					10,000	8,000		
Water, fuel					15,000	10,000		
Miscellaneous incidentals					12,000	8,000		
Total Intangibles					495,350	403,150		
Total estimated cost - 100% -					755,500	453,650		
Total estimate C. S. -					%			

APPROVED BY OPERATOR

OXY USA Inc.
R. L. Doty
R. L. Doty, Exploitation Manager

6-15-90
Date

APPROVED BY NON-OPERATOR _____

BILL SELTZER214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

June 21, 1990

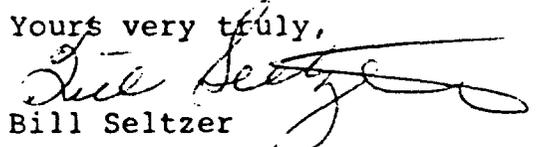
Re: All of Lots 7 and 9,
Block 28, La Huerta
Subdivision, in Section
29, T-21-S, R-27-E
Eddy County, New MexicoMr. Fred L. O'Cheskey, Jr.
4139 Coe Drive NE
Albuquerque, New Mexico 87110

Dear Mr. O'Cheskey:

On May 17, 1990, we forwarded to you an Oil and Gas Lease,
Ratification and Rental Division Order and draft in the amount of
\$800.00 covering the above described lands.My client, OXY USA Inc., is planning to commence operations in
July to drill a test well in the E/2 of Section 29, T-21-S,
T-27-E, Eddy County, New Mexico, to which your interest will be a
part thereof.We request your assistance in expediting the execution of the Oil
and Gas Lease, Ratification and Rental Division Order and draft
as soon as possible so that we may dismiss you from our
application to compulsory pool with the Oil Conservation
Division, State of New Mexico, that we are filing on July 1,
1990.

Your attention will be greatly appreciated.

Yours very truly,


Bill Seltzer

BS/kp

P.S. I have been trying to reach you by telephone for the past
two days and have been unsuccessful in getting an answer.

BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

May 18, 1990

Re: All of Lots 7 and 9,
Block 28, La Huerta Sub-
division in Section 29,
T-21-S, R-27-E
Eddy County, New Mexico

Mr. Fred L. O'Cheskey, Jr.
4139 Coe Drive NE
Albuquerque, New Mexico 87110

Dear Mr. O'Cheskey:

Enclosed please find a new Oil and Gas Lease, Ratification and Rental Division Order and draft covering your interest in the above lands.

This Oil and Gas Lease should replace the Oil and Gas Lease forwarded to you on May 17, 1990, in as much as we should have captioned you as Personal Representative instead of Independent Executor.

Please forward a copy of the Probate Proceedings regarding Fred L. O'Cheskey, Sr.

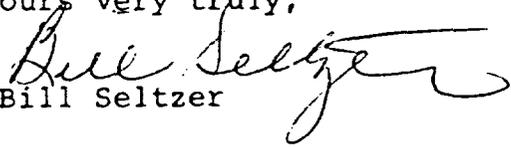
Please handle the revised enclosures as follows:

1. Have all parties execute the Oil and Gas Lease and Ratification and Rental Division Order before a notary public.
2. Have all parties endorse the draft.
3. Place the lease, ratification and draft (all three instruments) in your bank with instructions to be forwarded to the First City National Bank in Midland, Texas, for collection.

Thank you for your assistance and cooperation in this matter.

We are sorry for the mistake.

Yours very truly,


Bill Seltzer

BS/kp
Enclosures

P.S. Please destroy the instruments now in your possession.

OIL AND GAS LEASE

THIS AGREEMENT made this 17th day of May, 1990, between
Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the
Estate of Fred L. O'Cheskey, Sr., Deceased, Lora Lee O'Cheskey Thomas,
Sandra Jean O'Cheskey Martin, and Walter Ross O'Cheskey, each dealing in
their separate property 4139 Coe Drive NE, Albuquerque, New Mexico 87110
 Lessor (whether one or more), whose address is:
 and Bill Seltzer, 214 W. Texas, Suite 507, Midland, TX 79701 Lessee, WITNESSETH:

1. Lessor in consideration of Ten and no/100 Dollars
 (\$ 10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in:

Eddy County, New Mexico to-wit:

All of Lots 7 and 9, Block 28, La Huerta Subdivision, City of Carlsbad, in Section 29, T-21-S, R-27-E

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 30 years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder three (3)

3. The royalties to paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any such used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit/s. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessor's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

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

Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased
 SS#:

Lora Lee O'Cheskey Thomas
 SS#:

Sandra Jean O'Cheskey Martin
 SS#:

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Fred L. O'Cheskey, Jr., Individually and as Personal Re-
presentative of the Estate of Fred L. O'Cheskey, Sr., Deceased

My commission expires _____, 19____. _____ Notary Public
Printed Name: _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Lora Lee O'Cheskey Thomas, dealing in her separate property

My commission expires _____, 19____. _____ Notary Public
Printed Name: _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Sandra Jean O'Cheskey Martin, dealing in her separate property

My commission expires _____, 19____. _____ Notary Public
Printed Name: _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Walter Ross O'Cheskey, dealing in his separate property

My commission expires _____, 19____. _____ Notary Public
Printed Name: _____

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subordinated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

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

Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased
SS#:

Lora Lee O'Cheskey Thomas
SS#:

Sandra Jean O'Cheskey Martin
SS#:

Walter Ross O'Cheskey
SS#:

RATIFICATION AND RENTAL DIVISION ORDER

To: Bill Seltzer Lessee

You are the owner of a mineral lease dated May 17, 1990, recorded in

Vol., at page, of the Records of

Eddy County (Parish), State of New Mexico, between Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased, Lora Lee O'Cheskey Thomas, Sandra Jean O'Cheskey Martin, and Walter Ross O'Cheskey, each dealing in their separate property

as Lessors, and Bill Seltzer as Lessee, in so far as said lease covers the following land situated in said County (Parish) and State:
All of Lots 7 and 9, Block 28, La Huerta Subdivision, City of Carlsbad, in Section 29, T-21-S, R-27-E

We, the undersigned parties, hereby authorize you to pay or tender rentals under said lease in accordance with the provisions thereof to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease or to the respective depository set out below opposite such party's name, and in the following amounts:

CREDIT TO	Fractional Interest	AMOUNT	DEPOSITORY
Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased	1/8	None Paid Up Lease	
Lora Lee O'Cheskey Thomas	1/8		
Sandra Jean O'Cheskey Martin	1/8		
Walter Ross O'Cheskey	1/8		

Each of the undersigned parties agrees that payment or tender of said rentals as set forth above will protect said lease and continue same in force as therein provided in so far as said lease covers the interest of such undersigned party in said land. Each undersigned party, however, certifies only the interest, if any, set forth above opposite such party's name.

This division order covers only payment of delay rentals under said lease as to said land and does not cover royalty payments thereunder.

The provisions hereof shall be binding upon our respective heirs, legal representatives, successors and assigns, except that payment of rentals under said lease as to said tract to an assignee of any undersigned party shall be made to the depository bank named in said lease, if different from the respective depository specified above.

Said lease is hereby ratified and confirmed and declared to be in full force and effect, and the undersigned hereby lease, let and demise the lands described in said lease, unto the record owners and holders of said lease, its successors and assigns, upon the terms and conditions set out in said lease.

EXECUTED this ✓ day of, 19.....

Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased
 SS#:

Lora Lee O'Cheskey Thomas
 SS#:

Sandra Jean O'Cheskey Martin
 SS#:

Walter Ross O'Cheskey
 SS#:

TEXAS AND NEW MEXICO-ACKNOWLEDGMENTS

STATE OF _____
COUNTY OF _____ } Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared Fred L. O'Cheskey, Jr.
Individually and as Personal Representative of the Estate of Fred L. O'Cheskey,
Deceased
known to me to be the person whose name IS subscribed to the foregoing instrument, and
acknowledged to me that he executed the same as _____ free act and deed for the purposes
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County, _____

Printed Name: _____

STATE OF _____
COUNTY OF _____ } Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____
Lora Lee O'Cheskey Thomas, dealing in her separate property
known to me to be the person whose name IS subscribed to the foregoing instrument, and
acknowledged to me that she executed the same as _____ free act and deed for the purpose
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

STATE OF _____
COUNTY OF _____ } Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____
Sandra Jean O'Cheskey Martin, dealing in her separate property
known to me to be the person whose name is subscribed to the foregoing instrument, and
acknowledged to me that she executed the same as _____ free act and deed for the
purposes and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

STATE OF _____
COUNTY OF _____ } Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____
Walter Ross O'Cheskey, dealing in his separate property
known to me to be the person whose name is subscribed to the foregoing instrument, and
acknowledged to me that he executed the same as _____ free act and deed for the purpose
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County, Texas _____

Printed Name: _____

CORPORATE ACKNOWLEDGEMENT - TEXAS OR NEW MEXICO

STATE OF _____
COUNTY OF _____ } Before me the undersigned authority, on this day person
appeared _____ known to me to be the person whose name
is subscribed to the foregoing instrument as _____
of _____, a corporation, and acknowledged to me that
he executed the same, on behalf of said corporation, for the purposes and consideration
therein expressed and in the capacity therein stated.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

FOR COLLECTION ONLY

DATE May 17, 1990

PAY TO THE ORDER OF Fred L. O'Cheskey, Jr., Individually and as Personal Representative of the Estate of Fred L. O'Cheskey, Sr., Deceased, Lora Lee O'Cheskey Thomas, Sandra Jean O'Cheskey Martin, and Walter Ross O'Cheskey \$800.00

Eight Hundred and no/100----- DOLLARS

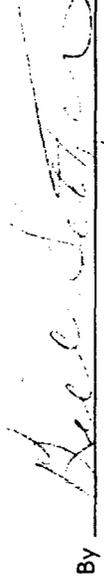
This draft is drawn to pay for Oil and Gas Lease, dated May 17, 1990 and covering T-21-S, R-27-E, All of Lots 7 and 9, Block 28, La Huerta Subdivision, Section 29, Eddy County, NM

(5,264 acres)
The drawer, payee and endorsers hereof, and the grantors of the lease described hereon, do hereby constitute and appoint the collecting bank escrow agent to hold this draft for the time above specified subject alone to acceptance of payment hereof by the drawee, within said time, and without any right of the drawer, payee or endorsers hereof, or said grantors, to recall or demand return of this draft prior to the expiration of the above specified time, and there shall be no liability whatsoever on the collecting bank for refusal to return the same prior to such expiration.

In the event this draft is not paid within said time, the collecting bank shall return the same to forwarding bank and no liability for payment or otherwise shall be attached to any of the parties hereto.

TO: **Bill Seltzer, Drawee**

**AT: First City National Bank of Midland
Midland, Texas
Collecting Bank**

By 

BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

June 15, 1990

Re: East 1/2 acre of the
North 1 1/2 acre of Lot
9, Block 25, La Huerta
Subdivision in Section
29, T-21-S, R-27-E
Eddy County, New Mexico
0.5 net acre

Fermin Garcia and wife,
Dora Garcia
c/o Rachael Barrera or Garcia
1425 Tokay Ave.
Carlsbad, New Mexico 88220

Dear Mr. and Mrs. Garcia:

On May 8, 1990, May 25, 1990 and June 12, 1990, I wrote you a letter regarding the purchase of an Oil and Gas Lease on the above interest.

I am representing OXY USA Inc. who plans to drill a 11810' Strawn-Morrow test well in the E/2 of Section 29, T-21-S, R-27-E, Eddy County, New Mexico immediately.

We request that you join OXY and pay your proportionate share of the cost of drilling and completing the test well. If you desire to join please execute the AFE and return in the enclosed envelop.

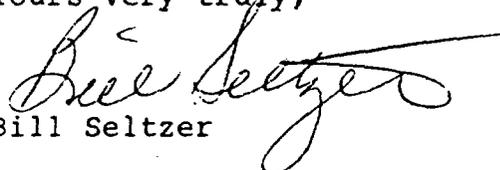
If you desire to lease your interest, please handle the Oil and Gas Lease, Ratification and Rental Division Order and draft as follows:

1. Execute the Oil and Gas Lease and Ratification and Rental Division Order (both instruments) before a notary public.
2. Endorse the draft.
3. Then place the lease, ratification and draft (all three instruments) in your bank with instructions to be forwarded to the First City National Bank in Midland, Texas, for collection.

We respectfully request your immediate attention as we are filing an application with the Oil Conservation Division, State of New Mexico to compulsory pool all outstanding interests on July 1, 1990.

If you have any questions, please call.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Bill Seltzer", with a long horizontal flourish extending to the right.

Bill Seltzer

BS/kp
Enclosures

PS Form 3800, June 1985

Mr. and Mrs. Fermin Garcia	
c/o Rachael Barrera or Garcia	
1425 Tokay Ave	
Carlsbad, NM 88220	
	.65
	.85
	.90
TOTAL Postage and Fees	2.40
Postmark or Date	6/15/90

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

P 154 192 199

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
Mr. and Mrs. Fermin Garcia
c/o Rachel Barrera or Garcia
1425 Tokay Ave.
Carlsbad, NM 88220

4. Article Number
P 154 192 199

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature of Address *F. Barrera*
X

6. Signature - Agent
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

Stamp: CARLSBAD, N.M. MFY 0566 JUN 15 1990

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

BILL SELTZER214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

June 13, 1990

Certified #P 154 192 202

Re: East 1/2 acre of the
North 1 1/2 acre of Lot
9, Block 25, La Huerta
Subdivision in Section 29
T-21-S, R-27-E
Eddy County, New Mexico
0.5 net acreFermin Garcia and wife,
Dora Garcia
c/o Rachael Barrera or Garcia
1425 Tokay Ave.
Carlsbad, New Mexico 88220

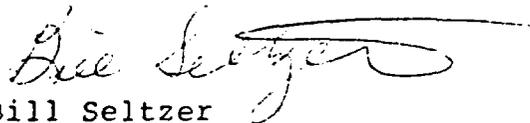
Attn: Ms. Rachael Barrera or Garcia

Dear Ms. Barrera:

Please make reference to my letter of May 8, 1990 and May 25,
1990.I am representing OXY USA Inc. in renewing an Oil and Gas Lease
covering the above.OXY is planning to drill a Morrow test in the E/2 of Section 29,
T-21-S, R-27-E, therefore we request that you call me collect at
the above office number as soon as possible. If we are unable to
secure an Oil and Gas Lease from the mineral owners of the above
tract then I must file an application to compulsory pool the
interest with the Oil Conservation Division, State of New Mexico.

Your cooperation will be appreciated.

Yours very truly,



Bill Seltzer

BS/kp
Enclosure

● **SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.**
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Mr. and Mrs. Fermin Garcia
 c/o Rachael Barrera or Garcia
 1425 Tokay Ave.
 Carlsbad, NM 88220

4. Article Number
 P 154 192 202

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

5. Signature - Address
 Garcia

8. Addressee's Address (ONLY if requested and fee paid)
 Always obtain signature of addressee or agent and DATE DELIVERED.

6. Signature - Agent
 X *F. Barrera*

7. Date of Delivery
 6/14/90

P 154 192 202

RECEIPT FOR CERTIFIED MAIL
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

Mr. & Mrs. Fermin Garcia
 c/o Rachael Barrera or Garcia
 1425 Tokay Ave.
 Carlsbad, NM 88220

Postage	.25
Postage Insurance	.85
Postage and Fees	
Return Receipt for Merchandise	.90
Return Receipt for Money Order or Cash	
Return Receipt for Signature	
Return Receipt for Restricted Delivery	
Return Receipt for Signature and Restricted Delivery	
TOTAL Postage and Fees	2.00
Postmark or Date	6/13/90

BILL SELTZER

214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

June 20, 1990

Re: East 1/2 acre of the
North 1 1/2 acre of Lot
9, Block 25, La Huerta
Subdivision in Section 29
T-21-S, R-27-E
Eddy County, New Mexico
0.5 acre

Ms. Rachel Garcia Barrera
1425 Tokay Avenue
Carlsbad, New Mexico 88220

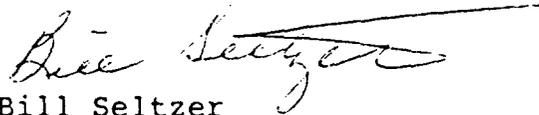
Dear Ms. Barrera:

In accordance with your acceptance of June 15, 1990, please refer to the Oil and Gas Lease, Ratification and Rental Division Order, and Draft, along with instruction letter that was forwarded to Fermin Garcia and wife, Dora Garcia on June 15, 1990.

Please have Fermin Garcia and wife, Dora Garcia execute the above instruments per our instruction letter and place in their bank to be forwarded to First City National Bank in Midland, Texas for collection.

Thank you for your immediate attention to this matter.

Yours very truly,


Bill Seltzer

BS/kp

BILL SELTZER

214 WEST TEXAS, SUITE 507

MIDLAND, TEXAS 79701

May 25, 1990

Re: East 1/2 acre of the
North 1 1/2 acre of Lot
9, Block 25, La Huerta
Subdivision in Section 29
T-21-S, R-27-E
Eddy County, New Mexico
0.5 net acre

Mr. and Mrs. Fermin Garcia
1425 Tokay Avenue
Carlsbad, New Mexico 88220

Attn: Rachel Garcia

Dear Ms. Garcia:

On May 8, 1990, we forwarded a letter to Mr. and Mrs. Fermin Garcia pertaining to the above described lands (copy of letter attached). According to a check of the County Records of Lea County, New Mexico, Mr. and Mrs. Garcia are the owners of the mineral interest set out above.

I am renewing Oil and Gas Leases in the area for OXY USA Inc. and we desire to purchase an Oil and Gas Lease on the above interest and offer \$100.00 for an Oil and Gas Lease for a 3 year Paid Up Lease with 3/16ths royalty.

If this offer is acceptable please indicate your acceptance in the space provided below and I will forward an Oil and Gas Lease and draft in the amount of \$100.00.

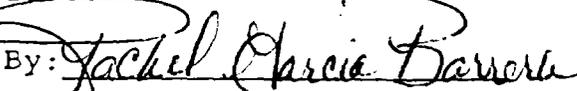
If you have any questions, please call me collect.

Yours very truly,


Bill Seltzer

BS/kp

Accepted and Agreed to this
15th day of JUNE,
1990.

By: 
1425 Tokay

BILL SELTZER
214 WEST TEXAS, SUITE 507
MIDLAND, TEXAS 79701

Certified #P 154 192 137

May 8, 1990

Re: East 1/2 acre of the
North 1 1/2 acre of Lot
9, Block 25, La Huerta
Subdivision in Section 29
T-21-S, R-27-E
Eddy County, New Mexico
0.5 acre owner

Mr. and Mrs. Fermin Garcia
1427 Tokay Avenue
Carlsbad, New Mexico 88220

Dear Mr. and Mrs. Garcia:

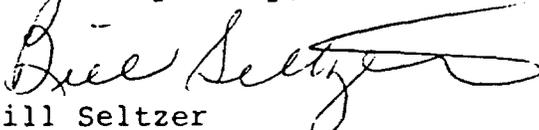
According to a check of the County Records of Eddy County, New Mexico, you are the owner of the above described mineral interest.

I am renewing Oil and Gas Leases in the area for OXY USA Inc. and we desire to purchase an Oil and Gas Lease on your interest and offer you \$100.00 for an Oil and Gas Lease for a 3 year Paid Up Lease with 3/16ths royalty.

If this offer is acceptable, please signify your acceptance in the space provided below and I will forward you an Oil and Gas Lease and draft in the amount of \$100.00.

If you have any questions, please call.

Yours very truly,


Bill Seltzer

BS/kp

Accepted and Agreed to this
_____ day of _____,
1990.

By: _____

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

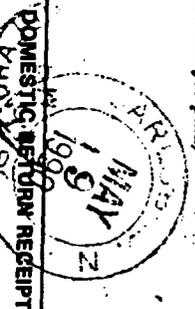
3. Article Addressed to:
 Mr. and Mrs. Fermin Garcia
 1427 Tokay Avenue
 Carlsbad, New Mexico 88220

4. Article Number
 P 154 192 137

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.
 8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Address
 X *Fermin Garcia*
 6. Signature - Agent
 X
 7. Date of Delivery



P 154 192 137

RECEIPT FOR CERTIFIED MAIL -
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

Sent to Mr. and Mrs. Fermin Garcia	
Street 1427 Tokay Avenue	
City, State, ZIP Carlsbad, NM 88220	
Postage	.25
Certified Fee	.85
Special Delivery Fee	
Registered Delivery Fee	
Return Receipt (with date of delivery to whom)	.90
Return Receipt showing to whom, date, and address of delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date 5/8/90	

OIL AND GAS LEASE

THIS AGREEMENT made this 15th day of June, 1990, between
Rachel Garcia Barrera and husband Barrera, sole and only
heirs of Fermin Garcia and Dora Garcia

Lessor (whether one or more), whose address is: 1425 Tokay Avenue, Carlsbad, New Mexico 88220
and Bill Seltzer, 214 W. Texas, Suite 507, Midland, Texas 79701 Lessee, WITNESSETH:

1. Lessor in consideration of Ten and no/100 Dollars
(10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous

thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in
Eddy County, New Mexico, to-wit:
East 1/2 acre of the North 1 1/2 acre of Lot 9, Block 25, La Huerta
Subdivision in Section 29, T-21-S, R-27-E

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of Three years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder Three (3)

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

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

Rachel Garcia Barrera

--SS#:

Lessor

Lessee

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of Eddy } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Rachel Garcia Barrera and husband, Barrera,
sole and only heirs of Fermin Garcia and Dora Garcia

My commission expires _____, 19____ Notary Public
Printed Name: _____

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

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

My commission expires _____, 19____ Notary Public

Producers 88 Rev. (5 Year Lease) (10-57)

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 19____

No. Acres _____

_____ County, N. M.

Term _____

This instrument was filed for record on the

_____ day of _____, 19____

at _____ o'clock _____ M., and duly

recorded in Book _____, Page _____

of the _____ records of this office.

_____ County Clerk

By _____, Deputy

When recorded return to

RATIFICATION AND RENTAL DIVISION ORDER

To: Bill Seltzer Lessee

You are the owner of a mineral lease dated June 15, 1990, recorded in

Vol. _____, at page _____, of the _____ Records of

Eddy County (Parish), State of New Mexico, between

Rachel Garcia Barrera and husband, Barrera, sole and

only heirs of Fermin Garcia and Dora Garcia

as Lessors, and Bill Seltzer

as Lessee, in so far as said lease covers the following land situated in said County (Parish) and State:

East 1/2 acre of the North 1 1/2 acre of Lot 9, Block 25, La Huerta
Subdivision in Section 29, T-21-S, R-27-E

We, the undersigned parties, hereby authorize you to pay or tender rentals under said lease in accordance with the provisions thereof to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease or to the respective depository set out below opposite such party's name, and in the following amounts:

CREDIT TO	Fractional Interest	AMOUNT	DEPOSITORY
Rachel Garcia Barrera and husband, Barrera, sole and only heirs of Fermin Garcia and Dora Garcia	.5	None Paid Up Lease	

Each of the undersigned parties agrees that payment or tender of said rentals as set forth above will protect said lease and continue same in force as therein provided in so far as said lease covers the interest of such undersigned party in said land. Each undersigned party, however, certifies only the interest, if any, set forth above opposite such party's name.

This division order covers only payment of delay rentals under said lease as to said land and does not cover royalty payments thereunder.

The provisions hereof shall be binding upon our respective heirs, legal representatives, successors and assigns, except that payment of rentals under said lease as to said tract to an assignee of any undersigned party shall be made to the depository bank named in said lease, if different from the respective depository specified above.

Said lease is hereby ratified and confirmed and declared to be in full force and effect, and the undersigned hereby lease, let and demise the lands described in said lease, unto the record owners and holders of said lease, its successors and assigns, upon the terms and conditions set out in said lease.

EXECUTED this _____ day of _____, 19_____

.....
Rachel Garcia Barrera

SS#:

TEXAS AND NEW MEXICO-ACKNOWLEDGMENTS

STATE OF New Mexico ↓
COUNTY OF Eddy ↓ Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared Rachel Garcia Barrera
and husband, Barrera, sole and only heirs of Fermin Garcia and
known to me to be the person whose name s are subscribed to the foregoing instrument, and
acknowledged to me that the y executed the same as _____ free act and deed for the purposes
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County, _____

Printed Name: _____

STATE OF _____ ↓
COUNTY OF _____ ↓ Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____

known to me to be the person whose name _____ subscribed to the foregoing instrument, and
acknowledged to me that he executed the same as _____ free act and deed for the purposes
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

STATE OF _____ ↓
COUNTY OF _____ ↓ Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____

known to me to be the person whose name _____ subscribed to the foregoing instrument, and
acknowledged to me that he executed the same as _____ free act and deed for the
purposes and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

STATE OF _____ ↓
COUNTY OF _____ ↓ Before me, the undersigned authority, a Notary Public in
and for said County and State, on this day personally appeared _____

known to me to be the person whose name _____ subscribed to the foregoing instrument, and
acknowledged to me that he executed the same as _____ free act and deed for the purposes
and consideration therein expressed.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County, Texas _____

Printed Name: _____

CORPORATE ACKNOWLEDGEMENT - TEXAS OR NEW MEXICO

STATE OF _____ ↓
COUNTY OF _____ ↓ Before me the undersigned authority, on this day personally
appeared _____ known to me to be the person whose name
is subscribed to the foregoing instrument as _____
of _____, a corporation, and acknowledged to me that
he executed the same, on behalf of said corporation, for the purposes and consideration
therein expressed and in the capacity therein stated.

Given under my hand and seal of office, this the ___ day of _____, A. D. 19__.

(New Mexico)

Notary Public in and for _____
County _____

Printed Name: _____

BILL SELTZER, LEASE ACCOUNT
507 PETROLEUM BLDG.
MIDLAND, TX 79701

3005

~~88-7265~~
3119

PAY TO THE ORDER OF Rachel Garcia Barrera and _____ July 2, 1990 \$ 100.00

One Hundred and no/100----- DOLLARS



FOR OGI, 21-27, Sec. 29, Eddy Co. *Bill Seltzer*
⑆003005⑆ ⑆311972652⑆039462124 108⑆

HARLANC 1-64

CITIES SERVICE OIL AND GAS CORPORATION
DETAILED WELL ESTIMATE

Handwritten initials/signature

LEASE - WELL NO. Simpson A #2 DATE 4/18/90
 LOCATION 1980' FSL & FEL PROP. DEPTH 11810'
 S 29 T 21-S R 27-E COUNTY Eddy STATE NM AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 13-3/8" 48# H-40 ST&C			630'		13,200	13,200		
8-5/8" 24# K-55 ST&C			2400'		28,800	28,800		
8-5/8" 32# K-55 ST&C			600'		8,500	8,500		
5-1/2" 17# N-80 LT&C			10480'		104,800			
5-1/2" 20# N-80 LT&C			1330'		15,950			
Well head connections	A				10,000			
Tubing 2-3/8" 4.7# N-80 EUE 8rd	A		11800'		43,400			
Sucker rods								
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5,000			
Packer & Accessories	A				4,000			
TANK BATTERY								
Stock tanks	A	300	2		7,000			
Separator, heater treater, dehydrator	A				12,000			
Meter run and housing					2,500			
Labor & transportation					5,000			
Total Tangibles					260,150	50,500		
INTANGIBLES								
Contract drilling labor 11810' @ \$15/foot					177,150	177,150		
Rotary day work 6 days @ \$4000/day					24,000	24,000		
Service rig work 12 days @ \$1100/day					13,200			
Subsurface casing equipment					2,500	1,500		
D. S. T., electric, radioactivity logs, etc.					50,000	47,000		
Acidizing, fracing					45,000			
Perforating					6,000			
Misc. company and contract labor					12,000	10,000		
Road building, location					25,000	25,000		
Cement and cementing service					25,000	19,000		
Cement squeeze jobs								
Drilling mud, chemicals					30,000	30,000		
Diamond coring & analyses, bits, reamers					18,000	18,000		
Mud logging unit 30 days @ \$350/day					10,500	10,500		
Rental of miscellaneous equip.					20,000	15,000		
Contract hauling					10,000	8,000		
Water, fuel					15,000	10,000		
Miscellaneous incidentals					12,000	8,000		
Total Intangibles					495,350	403,150		
Total estimated cost - 100% -					755,500	453,650		
Total estimate C. S. -					%			

APPROVED BY OPERATOR

OXY USA Inc.

Handwritten signature: R. L. Doty
R. L. Doty, Exploitation Manager

Date

6-15-90

APPROVED BY NON-OPERATOR _____

OIL AND GAS LEASE

THIS AGREEMENT made this 15th day of June, 1990, between
Fermin Garcia, and wife, Dora Garcia

Lessor (whether one or more), whose address is: 1425 Tokay Avenue, Carlsbad, New Mexico 88220
and Bill Seltzer, 214 W. Texas, Suite 507, Midland, Texas 79701 Lessee, WITNESSETH:

1. Lessor in consideration of Ten and no/100----- Dollars
(10.00)

in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in-----

Eddy County, New Mexico, to-wit:
East 1/2 acre of the North 1 1/2 acre of Lot 9, Block 25, La Huerta
Subdivision in Section 29, T-21-S, R-27-E

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ~~XXXX~~ years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder, three (3)

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis, that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of severity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

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

✓
Fermin Garcia
SS#:
Lessor

Dora Garcia
SS#:
Lessor

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of Eddy } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by Fermin Garcia and wife, Dora Garcia

My commission expires _____, 19____, _____ Notary Public
Printed Name: _____

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

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

My commission expires _____, 19____, _____ Notary Public

Producers 88 Rev. (5 Year Lease) (10-57)

No. _____
Oil and Gas Lease
FROM _____
TO _____
Dated _____, 19____
No. Acres _____
County, N. M. _____
Term _____
This instrument was filed for record on the _____ day of _____, 19____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.
By _____, Deputy
When recorded return to _____
County Clerk _____

RATIFICATION AND RENTAL DIVISION ORDER

To: Bill Seltzer Lessee

You are the owner of a mineral lease dated June 15, 1990, recorded in

Vol. _____, at page _____, of the _____ Records of

Eddy County (Parish), State of New Mexico, between

Fermin Garcia and wife, Dora Garcia

as Lessors, and Bill Seltzer

as Lessee, in so far as said lease covers the following land situated in said County (Parish) and State:

East 1/2 acre of the North 1 1/2 acre of Lot 9, Block 25, La Huerta Subdivision in Section 29, T-21-S, R-27-E

We, the undersigned parties, hereby authorize you to pay or tender rentals under said lease in accordance with the provisions thereof to the respective parties named below, or to the credit of any party named below either to a depository bank as named in said lease or to the respective depository set out below opposite such party's name, and in the following amounts:

CREDIT TO	Pro Interest	AMOUNT	DEPOSITORY
Fermin Garcia and wife, Dora Garcia	.5	None Paid Up Lease	_____ _____

Each of the undersigned parties agrees that payment or tender of said rentals as set forth above will protect said lease and continue same in force as therein provided in so far as said lease covers the interest of such undersigned party in said land. Each undersigned party, however, certifies only the interest, if any, set forth above opposite such party's name.

This division order covers only payment of delay rentals under said lease as to said land and does not cover royalty payments thereunder.

The provisions hereof shall be binding upon our respective heirs, legal representatives, successors and assigns, except that payment of rentals under said lease as to said tract to an assignee of any undersigned party shall be made to the depository bank named in said lease, if different from the respective depository specified above.

Said lease is hereby ratified and confirmed and declared to be in full force and effect, and the undersigned hereby lease, let and demise the lands described in said lease, unto the record owners and holders of said lease, its successors and assigns, upon the terms and conditions set out in said lease.

EXECUTED this _____ day of _____, 19_____.

.....
Fermin Garcia
SS#:

.....
Dora Garcia
SS#:

On approval of lease described hereon, and on approval of title to same by drawee not later than 30 days after arrival of this draft at collecting bank.

FOR COLLECTION ONLY

DATE June 15, 1990

PAY TO THE ORDER OF Fermin Garcia and wife, Dora Garcia

\$ 100.00

One Hundred and no/100-----DOLLARS

This draft is drawn to pay for Oil and Gas Lease, dated June 15, 1990 and covering Fast 1/2 acre of the North 1 1/2 acre of Lot 9, Block 25, La Huerta Subdivision in Section 29, T-21-S,

P-27-E Eddy County, New Mexico

The drawer, payee and endorsers hereof, and the grantors of the lease described hereon, do hereby constitute and appoint the collecting bank escrow agent to hold this draft for the time above specified subject alone to acceptance of payment hereof by the drawee, within said time, and without any right of the drawer, payee or endorsers hereof, or said grantors, to recall or demand return of this draft prior to the expiration of the above specified time, and there shall be no liability whatsoever on the collecting bank for refusal to return the same prior to such expiration. In the event this draft is not paid within said time, the collecting bank shall return the same to forwarding bank and no liability for payment or otherwise shall be attached to any of the parties hereon.

TO: Bill Selzer, Drawee

AT: First City National Bank of Midland
Midland, Texas
Collecting Bank

By *Bill Selzer*