

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NM&O OPERATING
COMPANY FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

Case No. 13,307

STATEMENT OF LARRY D. SWEET

Larry D. Sweet, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. Pursuant to Division Rule 1207.A.(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the owner has been contacted repeatedly regarding the Invader Federal Well No. 1, but has never responded to our communications.

(b) A map outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks to dedicate the W $\frac{1}{2}$ of Section 1, Township 24 North, Range 2 West, N.M.P.M. to the Invader Federal Well No. 1 as to the Blanco-Mesaverde Gas Pool. The Blanco-Mesaverde Gas Pool is a gas-bearing formation.

(c) The party being pooled, her unleased mineral interest in the well unit, and her last known address, are as follows:

Monica Britt (50% x 1/6 x 80/325.06 = 2.050903%)
P.O. Box 2204
Santa Fe, New Mexico 87504

The above name and address were determined by a diligent search of all public records in Rio Arriba County, New Mexico and Santa Fe County, New Mexico, including phone records.

(d) Copies of the letters mailed to the Ms. Britt requesting her to execute an oil and gas lease on her mineral interest are attached hereto as Exhibit B. Because she refused to lease her interest, applicant sent her a well proposal as shown in Exhibit C attached hereto.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the well is attached to Exhibit C. The re-completion costs are fair and

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER /

reasonable, and are comparable to those of other wells of this depth re-completed in this area of Rio Arriba County.

(g) Overhead charges of \$4508/month for a drilling well, and \$550/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by NM&O Operating Company and other operators in this area for wells of this depth. (These rates are equal to those set forth in the latest Ernst & Young Fixed-Rate Overhead Survey, attached hereto as Exhibit D.)

VERIFICATION

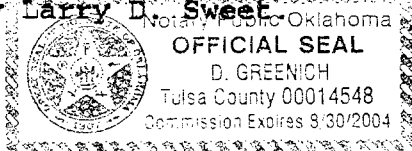
STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Larry D. Sweet, being duly sworn upon his oath, deposes and states that: He is the president of NM&O Operating Company, and a petroleum engineer by education and training; he is authorized to make this verification on its behalf; he has read the foregoing statement and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



Larry D. Sweet

Subscribed and sworn to before me this 13 day of August, 2004 by Larry D. Sweet




Notary Public

My Commission Expires:

District I
1631 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1006 Rio Breros Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-039-23976		Pool Code 72319	Pool Name Blanco Mesa Verde
Property Code 008270	Property Name Invader Federal		Well Number 1
OCRD No. 015938	Operator Name NM&O Operating Company		Elevation 7335'

Surface Location

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
D	1	24N	2W		1040'	North	850'	West	Rio Arriba

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 325.06		Total or InRR		Consolidation Code		Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> <div>1040' - 0</div> <div>850' - 0</div> <div>NM&O Operating Company</div> <div>Federal Minerals NM-43746</div> <div>NM&O Operating Company</div> <div>Fee Minerals</div>	<div>MAY 2002</div> <div>EXHIBIT A</div>		<div>OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</div> <div><i>Deborah Greenwich</i></div> <div>Signature Deborah Greenwich</div> <div>Printed Name</div> <div>Title Landman</div> <div>Date 4/29/02</div>
			<div>SURVEYOR CERTIFICATION</div> <div>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</div> <div>Date of Survey</div> <div>Signature and Seal of Professional Surveyor:</div>
			<div>Certificate Number</div>

JIM PIERCE

OIL AND GAS PROPERTIES
SUITE 859
PETROLEUM BUILDING
200 WEST FIRST
ROSWELL, NEW MEXICO 88203

PHONE 505-622-7246
FAX 505-622-1711
EMAIL: jplandman@dfn.com

May 19, 2003

NM&O Operating Company
Suite 3000
15 East Fifth
Tulsa, OK 74103

Attention: D. Greenwich, Land

RE: Kellen Michelle Britt Lease
Section 1: S/2SW/4
T24N, R2W, NMPM,
Rio Arriba County, NM
Invader #1

Dear Ms. Greenwich:

Enclosed is the original, executed and notarized Oil and Gas Lease covering the captioned 3.3333 net acre interest.

Also provided is a copy of the Oil and Gas Lease transmitted to Monica Irene Guthman Britt, covering her 6.6666 net acre interest, being the remaining interest out of the Henry J. Guthman Estate.

The executed original will be provided when received.

I received your instructions regarding the "San Juan Basin" interests, and to date have not heard from Jerry McHugh.

The Schmitz Living Trust apparently believes that "NM&O" owes them production revenues from another well it operates in Rio Arriba County, NM, and is reluctant to execute a lease into "NM&O" at this point.

Please advise.

Please contact me should you have questions, need additional information or have further instructions.

Truly,


Jim Pierce, RLP

Encl.



MAY 23 2003

JIM PIERCE

OIL AND GAS PROPERTIES

200 WEST FIRST STREET
SUITE 859
ROSWELL, NEW MEXICO 88203-4697

PHONE 505-622-7246
FAX 505-622-1711
EMAIL: jplandman@dfn.com

July 30, 2003

NM&O Operating company
First Place Tower
15 East Fifth Street
Suite 3000
Tulsa, OK 74103-4337

Attention: Ms. Deborah Greenwich, Land

RE: T24N, R2W, NMPM,
Section 1: S/2SW/4
Rio Arriba County, NM

Dear Ms. Greenwich:

Enclosed is a copy of the executed "Schmitz Living Trust" Oil and Gas Lease and bank draft in the amount of \$2,000.25.

Please provide this office with a company check in the amount of \$2,025.25 covering subject bonus payment (\$75.00 per acre) and the \$25.00 bank fee.

The original lease has been transmitted to Mr. Jim Bruce, with the Certified Receipts covering the Monica Britt, Jane E. McKenna and "San Juan Properties" interests.

As indicated in the copy of correspondence provided, we anticipate acquiring the Monica Britt lease within the week, the bonus consideration of which has already been provided by "NM&O".

Please contact us should you have questions, need additional information or have further instructions.

Truly


Jim Pierce, RLP

Encl.

AUG 4 - 2003

JIM PIERCE

OIL AND GAS PROPERTIES

200 WEST FIRST STREET
SUITE 859
ROSWELL, NEW MEXICO 88203-4697

PHONE 505-622-7246
FAX 505-622-1711
EMAIL: jplandman@dfn.com

July 30, 2003

Ms. Monica Britt
P. O. Box 2204
Santa Fe, NM 87504-2204

RE: Oil and Gas Lease Offer
Section 1: S/2SW/4
T24N, R2W, NMPM,
Rio Arriba County, NM

Dear Ms. Britt:

Per our conversation, enclosed are copies of the Oil and Gas Leases executed by Daniel Elwin Cody Britt and Kellen Michelle Britt, as requested.

Mr. James Bruce, the title attorney, has informed me that he was to meet with you, per your contact with him.

On behalf of NM&O Operating Company, we, again, request your consideration to lease your 6.6666 net mineral acre interest in the above described land.

Oil and Gas Lease (s) and the bonus consideration previously provided.

Truly,



Jim Pierce, RLP

Encl.

✓ Xc: NM&O Operating company
Xc: Mr. James Bruce

AUG 4 - 2003

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

August 11, 2003

Monica Britt
P.O. Box 2204
Santa Fe, New Mexico 87504


Dear Monica:

I'm sorry I didn't make it to the meeting - I took my kids to register at Santa He High, and I was there from 11:00-3:00 on Wednesday.

Enclosed is the letter that Jim Pierce sent you regarding the oil and gas lease. Again, we request that you execute the lease and return it to Mr. Pierce in the enclosed envelope.

Call if you have any questions.

Very truly yours,


James Bruce

NM&O Operating Company

First Place Tower - 15 East Fifth Street, Suite 3000 - Tulsa, Oklahoma 74103-4337
918-584-3802 * FAX 918-585-1753
Email: deborah.xanadu@sbcglobal.net

March 24, 2004

CERTIFIED RETURN RECEIPT MAIL

Ms Monica Irene Guthman Britt
P O Box 2204
Santa Fe NM 87504

RE: Federal Invader #1 Well
W/2 Sec. 1-T24N-R2W
Rio Arriba Co., NM

Dear Ms. Britt:

Enclosed please find an Authority For Expenditure for a well workover to recomplete the Federal Invader #1 Well in the Mesaverde formation. Please remit a check to this office in the amount of **\$8445.41** for your **2.050903%** unleased mineral interest in this well, to cover your portion of the workover expenses.

If you do not wish to participate in the proposed well work, please execute the enclosed Oil And Gas Lease and return it to our office **within 15 days** of your receipt of this correspondence. Our records reflect that Mr. Jim Pierce has contacted you several times since July 2003 about leasing your minerals in the W/2 of Section 1. However, we are again providing you the enclosed Oil And Gas Lease to be executed and returned to this office in the event you do not wish to participate.

If you have any questions regarding this letter, please feel free to contact our office.

Sincerely,



Deborah Greenwich, RPL
Land Department

:dg

Enclosure



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Monica Guthman Britt
POB 2204
Santa Fe NM 87504

2. Article
(Trans)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

 ☐ Agent ☐ Addressee

B. Received by (Printed Name)

Monica Guthman Britt

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

APR 5 2004
USPS

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Re: Invader

NM&O OPERATING COMPANY
AUTHORITY FOR EXPENDITURE
Federal Invader #1 Well

Project: Re-complete in the Mesa Verde Zone Interval

Legal Description:	W/2 Sec. 1-24N-2W	Estimated TD:	State:	County:
		5700'	New Mexico	Rio Arriba
Treatable water base--				
DETAILS OF ESTIMATED COST		Reserve Pit Approval--No sepcial requirements		
DESCRIPTION OF WORK		ESTIMATED COSTS @ 100% WI		
		Before Csg Point	After Csg Point	Total Well Costs
Leasehold Cost				
Fixed Overhead			\$ 1,000.00	\$ 1,000.00
Drilling/Division Order Title Opinion (for Mesa Verde)			\$ 5,000.00	\$ 5,000.00
Survey and Permits				
Surface Damages				
Abstracts and Legal (Pooling Work)				
Engineering Services (Well Site Supervision)			\$ 6,800.00	\$ 6,800.00
Set Conductor Casing/ Drill Rat Hole and Mouse Hole				
Workover Rig			\$ 72,000.00	\$ 72,000.00
Drill Stem Test (2)				
Coring Services				
Drill Bits (Ream after core)				
Drilling and Frac. Water including water lines			\$ 1,500.00	\$ 1,500.00
Drilling Mud				
Disposal of Water (Trucking and Disposal Fees)				
Cement Services (Squeeze Formations)			\$ 4,800.00	\$ 4,800.00
Cement Equipment for Surface and Production Casing				
Casing Crews for Surface and Production Casing				
Open Hole Logs*/ Cased Hole Logs				
Dozer to Clean Up Location			\$ 1,600.00	\$ 1,600.00
Dozer to Build Location/ Shale/ Rock (See Note Below)			\$ 2,500.00	\$ 2,500.00
Perforating/CBL			\$ 8,800.00	\$ 8,800.00
Acidizing/ Pump Truck Service (for Fracture Treatment)			\$ 61,400.00	\$ 61,400.00
Unit to Run Tubing and Test			\$ 5,500.00	\$ 5,500.00
Miscellaneous Trucking			\$ 6,100.00	\$ 6,100.00
Trucking Water to Location			\$ 1,100.00	\$ 1,100.00
Rental Tools / Frac Tanks			\$ 29,900.00	\$ 29,900.00
Rental of Blowout Preventor			\$ 1,500.00	\$ 1,500.00
Grow to Set Tank Battery and pumping unit			\$ 3,700.00	\$ 3,700.00
Well Bore Considerations			\$ 100,000.00	\$ 100,000.00
Miscellaneous/Contingencies/Well Insurance			\$ 10,600.00	\$ 10,600.00
TOTAL INTANGIBLE WELL COSTS			\$ 323,800.00	\$ 323,800.00
DESCRIPTION OF EQUIPMENT		Before Csg Point	After Csg Point	Total Well Costs
Cattle Guards				
9 5/8" Surface Casing (300')				
5 1/2" Production Casing (Used - Inspected)				
Wellhead Equipment			\$ 2,700.00	\$ 2,700.00
2 7/8" Production Tubing (Used/Inspected) (5630') -Capillary tubing			\$ 16,890.00	\$ 16,890.00
Tank Battery (New)**			\$ 18,500.00	\$ 18,500.00
Salvwater Tank (New)**				
Linepipe, Valves and Battery Fittings (New)			\$ 2,500.00	\$ 2,500.00
Pumping Unit/ Gas Engine			\$ 21,400.00	\$ 21,400.00
Rods/ Downhole Pump			\$ 8,700.00	\$ 8,700.00
Tubing Anchor/ Packer/ Miscellaneous Equipment			\$ 12,800.00	\$ 12,800.00
Fence and Dike*** Material			\$ 1,000.00	\$ 1,000.00
Miscellaneous Fittings			\$ 3,500.00	\$ 3,500.00
TOTAL TANGIBLE COSTS			\$ 87,990.00	\$ 87,990.00
TOTAL ESTIMATED COSTS			\$ 411,790.00	\$ 411,790.00

**Ohman Heath 3 phase separator.

RECOMMENDED WORKOVER DATE:

AFF APPROVED: YES NO

RECOMMENDED CONTR:

NON-OPERATOR:

TYPE OF WELL: Gas

BY: 

PREPARED BY: Larry D. Sweet

DATE: March 24th, 2004

OIL & GAS LEASE

THIS AGREEMENT made this 2nd day of May, 2003 between

Monica Irene Guthman Britt, dealing in her sole and separate property

P. O. Box 2204

of Santa Fe, NM 87504

(Post Office Address)

herein called lessor (whether one or more) and NM&O Operating Company 15 E. Fifth Street, Ste. 3000, Tulsa, OK 74103, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Rio Arriba County, New Mexico, to-wit:

Township 24 North, Range 2 West, N.M.P.M.
Section 1: S/2SW/4

Said land is estimated to comprise 80 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/8 of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/8 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. 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 on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessor's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

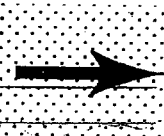
9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable 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 or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. 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, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) than the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest herein covered by this lease bears to the whole fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

SIGN
HERE



S/
Monica Irene Guthman Britt

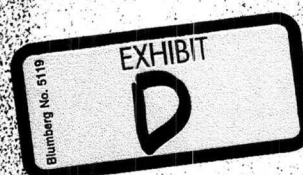
SS#

MAY 6 2003

2003 - 2004

Fixed-Rate Overhead Survey

 **ERNST & YOUNG**
Quality In Everything We Do



New Mexico

Monthly Drilling Well Fixed Overhead Rates

Monthly Producing Well Fixed Overhead Rates

Responses	Wells	Depth	Minimum	Average	Median	Maximum	Minimum	Average	Median	Maximum
52	321	0 - 5,000	\$1,825	\$3,725	\$3,500	\$6,212	\$175	\$426	\$483	\$661
36	229	5,001 - 10,000	\$1,884	\$4,508	\$4,250	\$10,475	\$40	\$541	\$550	\$1,048
30	99	10,001 - 15,000	\$3,500	\$5,808	\$6,000	\$9,505	\$350	\$602	\$555	\$1,047
1	1	15,001 - 20,000	\$8,680	\$8,680	\$8,680	\$8,680	\$1,159	\$1,159	\$1,159	\$1,159
		Over 20,000								
36	3,328	No Depth Limit	\$2,000	\$5,508	\$5,632	\$9,238	\$20	\$641	\$612	\$2,733