

Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mineral Owner:

James M Alexander
P O Box 58
Abilene, TX 79604

Net Acres in N/2 Spacing Unit 2.5
Percent Working Interest in Unit 0.781250%
Previous Lease dated: 9/21/01
Expiration: 9/20/04

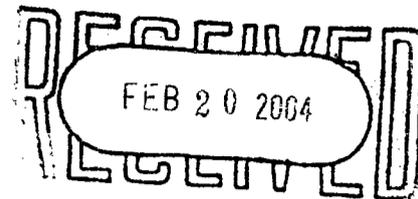
Lease Renewal and Correspondence Timeline

2/13/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
2/20/04	Letter of acceptance received as per terms offered.
2/20/04	Lease documents & bank draft sent as per terms accepted in offer letter
4/26/04	Received signed lease, containing several modifications not acceptable to Yates management.
4/26/04	Responded with cover letter not accepting modified lease. Sent a compromise lease form, acceptable to Yates management.
9/21/04	No response from Mr. Alexander - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/12/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
Illegible Date	Received certified receipt of Final offer letter.



FEB 18 2004

105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572



February 13, 2004

James M. Alexander
P. O. Box 58
Abilene, TX 79604

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Alexander:

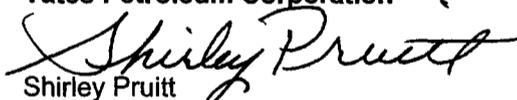
Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 4.1667 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on March 15, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

Thank you.

Very truly yours,
Yates Petroleum Corporation


Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this 16 day of Feb, 2004


James M. Alexander



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 20, 2004

James M. Alexander
P. O. Box 58
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Alexander:

Enclosed are two (2) copies of our Paid-up Oil and Gas Lease, three (3) year term, providing for a 1/4 royalty, covering your interest in the captioned lands. Also enclosed is one (1) draft in the amount of \$416.67 which is full bonus consideration of \$100.00 per acre for your 4.1667 net mineral acre interest.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public. Also endorse the draft and send it for collection through your bank, together with the lease to the address below:

First National Bank of Artesia
P O Drawer AA
Artesia, New Mexico 88210
Attention: Collection Department

Or you may void the draft and send the executed and notarized lease, with the voided draft, directly back to me at the Yates Petroleum Corporation address and I will return to you a direct check.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION
Shirley Pruitt
Shirley Pruitt
Land Technician

/sp
Enclosure(s)

THIS AGREEMENT made this 16th day of February, 2004, but Effective September 21, 2004, between **James M. Alexander, dealing in his sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%**, as Lessee, WITNESSETH:

1. Lessors 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:

**Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2**

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.

3. ~~The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Articles 11 through 12 of this Oil and Gas Lease are included in Exhibit A.

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

James M. Alexander

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____

No. Acres _____

County, NM

Term _____

This instrument was filed for record on the
_____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____,
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

By _____

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

of the _____

by _____ as _____

This instrument was acknowledged before me this _____ day of _____, 2004.

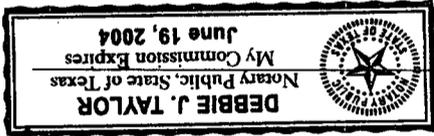
COUNTY OF _____

) ss. _____

STATE OF _____

ACKNOWLEDGMENT

My commission expires _____



Debbie J. Taylor
Notary Public

By: James M. Alexander, dealing in his sole and separate property

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF Taylor

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

EXHIBIT A

Exhibit A to that certain Oil and Gas Lease covering T25S R26E, Sec 17, NW4NE4, E2E2, Eddy County, New Mexico.

11. Subject to the right of election reserved to Lessor to take its share of production in kind, the royalties to be paid by Lessee are twenty-five percent (25%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value of gas produced from the Leased Premises determined as follows: (i) at the well for gas sold at the well, (ii) at the point of sale for gas sold or used off the Leased Premises or (iii) on gas delivered to a processing plant, the market value at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on oil, gas and related hydrocarbons, the royalty shall never be less than twenty-five percent (25%) of the gross amount realized by Lessee from such sale. Royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the Leased Premises, and the royalty on oil and gas shall be computed after deducting any production so used. The royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons.

If there is a gas well on the Leased Premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the Leased Premises or on land pooled therewith sufficient to maintain this Lease in full force and effect, this Lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this Lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to Five Dollars (\$5.00) per net acre covered by this Lease which payment shall be made to Lessor at P.O. Box 58, Abilene, Texas 79604, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the Leased Premises under all the terms and provisions of this Lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years after the end of the primary term. Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well.

12. Notwithstanding any other provisions hereof at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to Lessor, unless Lessee is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and commencement of another. "Completion" shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the Leased premises or on lands pooled therewith.





105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

April 26, 2004

James M. Alexander
P. O. Box 58
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Alexander:

Thank you for your response to our recent lease renewal offer. At this time, we are not able to accept the lease form and terms you provided. Enclosed please find two (2) copies of Oil and Gas Lease Form 342P, which we will accept. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you, per your instructions.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads "Shirley Pruitt".

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 26th day of April, 2004, but effective September 21, 2004, between **James M. Alexander, dealing in his sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%**, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

James M. Alexander

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____

No. Acres _____

Term _____ County, NM

This instrument was filed for record on the
day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public

This instrument was acknowledged before me this _____ day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF _____

CORPORATION ACKNOWLEDGMENT

My commission expires _____

Notary Public

This instrument was acknowledged before me this _____ day of _____, 2004, by _____, as

James M. Alexander, dealing in his sole and separate property

COUNTY OF Taylor

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 26, 2004, by and between James M. Alexander, dealing in his sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 23, 2004

Brett Guitar Witherspoon
P. O. Box 100635
Fort Worth, TX 76185

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to our telephone conversation of September 3, 2004, Yates Petroleum Corporation would like to work with you to compile a lease form acceptable to the Guitar family members and our corporation.

Our objection to the counter-offer of Marilyn Galusha is the one-year shut-in. The current lease form provides for a two-year shut-in and amending to one-year is not reasonable. This is a wildcat area and there is no existing infrastructure. If we decide to drill, it could easily take over one year just to get pipeline in to the area.

Concerning James Alexander's counter-offer, we have reviewed amended Paragraph 11 to Exhibit A and discussed it with the other two departments affected, accounting and marketing. The first paragraph in Paragraph 11 appears to be ambiguous and contradictory to other paragraphs in the lease. Paragraph 4 allows the same deductions as royalties due the United States. However, item 11 also states "royalty shall never be less than twenty-five percent of the gross amount realized by Lessee...." The language is confusing and needs clarification. For your information, the Yates believe in paying royalty owners on the same basis as they get paid. As to the second paragraph of Paragraph 11, we will agree to \$5.00 per net acre shut-in. However, we will require amending "this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years" to consecutive years. Please consider striking the last sentence of Item 11. In Item 12, we request amending from "below the deepest producing horizon" to "below the deepest depth drilled". We believe it is fair to let us keep all the formations we drill and then determine the most viable order to produce the well.

May we hear from you soon concerning this matter? If you have questions, please call me at (505) 748-4356.

Very truly yours,
YATES PETROLEUM CORPORATION


Shirley Pruitt
Land Technician

/s

LEASE NUMBER - NM-000403-002513-D LEASE NAME ALEXANDER, JAMES M.

PROSPECT.....000000 ACCT. LEASE 270385-001
 ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 431 PAGE.. 974 REC DATE... 10/05/2001
 COUNTY #2..... BOOK.. PAGE.. REC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/21/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE..... 9/21/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE..... 9/20/2004 ACQUISITION DATE. 9/21/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR.....JAMES M. ALEXANDER, DEALING IN HIS SOLE AND SEPARATE PROPERT
 ORIGINAL LESSEE.....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 416.67
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	4.17		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	4.17		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
				LEGAL DESCRIPTION			
01	25S	26E	17			200.00	4.17
	NW4NE4, E2E2						
TOTAL ACREAGE						200.00	4.17

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	OWI	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

ef
fp

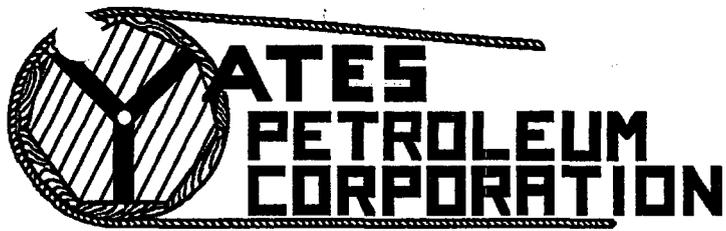
SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION....	MULTI-TRACT.....	
PUGH CLAUSE.... P PUGH	LESSER INTEREST...	SLIDING ROYALTY.	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPE.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE.....
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

LEASE NUMBER - NM-000403-002513-D



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE Type:		Well Objective:		Well Type:	
<input checked="" type="checkbox"/>	New Drilling	<input checked="" type="checkbox"/>	Oil	<input checked="" type="checkbox"/>	Development
<input type="checkbox"/>	Recompletion	<input checked="" type="checkbox"/>	Gas	<input type="checkbox"/>	Exploratory
<input type="checkbox"/>	Re-entry	<input type="checkbox"/>	Injector		

AFE NO.	04-542-0
AFE DATE	10/29/04

AFEND (rev 6/98)
10-29-04

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500
TOTAL COSTS		1,341,000	1,864,500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
-----------------------------------	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	
YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	
ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	
MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

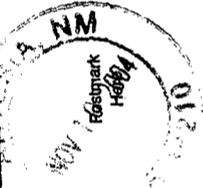
100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.49



Sent To James M. & Jerri Alexander
Street, Apt/PO Box No. Box 58
City, State/Zip+4 Abilene, TX 79604

See Reverse for Instructions

7002 2030 0001 8263 7393

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:

James M. & Jerri Alexander
 P.O. Box 58
 Abilene, TX 79604

2. Article Number
 (Transfer from service label)

7002 2030 0001 8263 7393

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

- A. Signature Agent
X Ida Hernandez Addressee
- B. Received by (Printed Name) Ida Hernandez Date of Delivery NOV 13 2004
- D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

Subar

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes No

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

James M. & Jerri Alexander
P O Box 58
Abilene, TX 79604

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mr. & Mrs. Alexander:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between James M. and Jerri Alexander, husband and wife, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

James M. Alexander

Jerri Alexander

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by James M. and Jerri Alexander

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____
Term _____ County, NM
This instrument was filed for record on the _____
day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

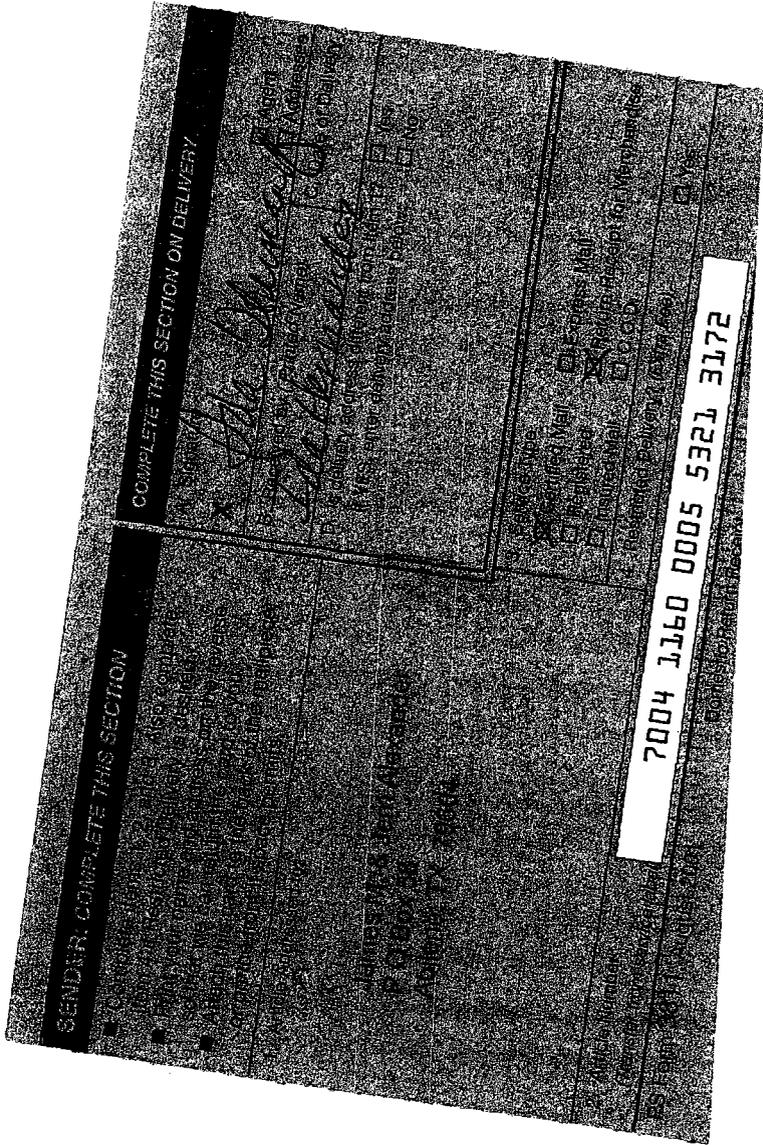
Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	4.42
Total Postage & Fees \$	

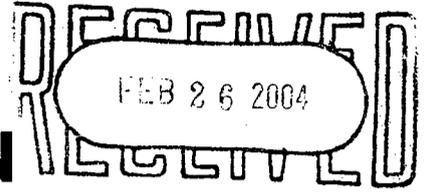


Sent to **James M. & Jenn Alexander**
 P O Box 58
 Street, Apt. No., Abilene, TX 79604
 or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7004 1160 0005 5321 3172





105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

FEB 16 2004

February 13, 2004

Martha Jane Rhodes
P. O. Box 58
Abilene, TX 79604

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Ms. Rhodes:

Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 4.1667 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on March 15, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

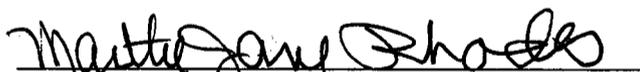
Thank you.

Very truly yours,
Yates Petroleum Corporation

Shirley Pruitt
Land Technician

/sp

AGREED and ACCEPTED this 23 day of FEBRUARY, 2004


Martha Jane Rhodes



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 27, 2004

Martha Jane Rhodes
P. O. Box 58
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Ms. Rhodes:

Enclosed are two (2) copies of our Paid-up Oil and Gas Lease, three (3) year term, providing for a 1/4 royalty, covering your interest in the captioned lands. Also enclosed is one (1) draft in the amount of \$416.67 which is full bonus consideration of \$100.00 per acre for your 4.1667 net mineral acre interest.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public. Also endorse the draft and send it for collection through your bank, together with the lease to the address below:

First National Bank of Artesia
P O Drawer AA
Artesia, New Mexico 88210
Attention: Collection Department

Or you may void the draft and send the executed and notarized lease, with the voided draft, directly back to me at the Yates Petroleum Corporation address and I will return to you a direct check.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

THIS AGREEMENT made this 23rd day of February, 2004, but Effective September 21, 2004, between Martha Jane Rhodes, dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2

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.

~~3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 in which the wells may be connected. Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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. a shut in gas well will not serve to extend the term of this lease for more than one~~

(1) year after the date said well is shut in.

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 and 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 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 terms, 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 and 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 leases 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 pipelines 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. Lessee 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 there from 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.

Martha Jane Rhodes
Martha Jane Rhodes

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____ County, NM

Term _____

This instrument was filed for record on the _____ day of _____, 20____ at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public _____

By _____

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

of the _____

by _____ as _____

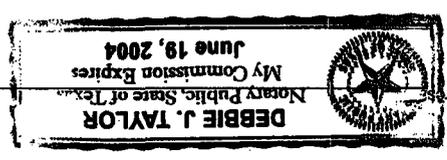
This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF _____

) ss. _____

STATE OF _____

ACKNOWLEDGMENT



My commission expires _____

Notary Public _____

Debbie J. Taylor

By: Martha Jane Rhodes, dealing in her sole and separate property

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF *Taylor*

) ss. _____

STATE OF *Texas*

INDIVIDUAL ACKNOWLEDGMENT

EXHIBIT A

Exhibit A to that certain Oil and Gas Lease covering T25S R26E, Sec 17, NW4NE4, E2E2, Eddy County, New Mexico.

11. Subject to the right of election reserved to Lessor to take its share of production in kind, the royalties to be paid by Lessee are twenty-five percent (25%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value of gas produced from the Leased Premises determined as follows: (i) at the well for gas sold at the well, (ii) at the point of sale for gas sold or used off the Leased Premises or (iii) on gas delivered to a processing plant, the market value at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on oil, gas and related hydrocarbons, the royalty shall never be less than twenty-five percent (25%) of the gross amount realized by Lessee from such sale. Royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the Leased Premises, and the royalty on oil and gas shall be computed after deducting any production so used. The royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons.

If there is a gas well on the Leased Premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the Leased Premises or on land pooled therewith sufficient to maintain this Lease in full force and effect, this Lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this Lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to Five Dollars (\$5.00) per net acre covered by this Lease, which payment shall be made to Lessor at P.O. Box 58, Abilene, Texas 79604, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the Leased Premises under all the terms and provisions of this Lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years after the end of the primary term. Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well.

12. Notwithstanding any other provisions hereof at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to Lessor, unless Lessee is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and commencement of another. "Completion" shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the Leased premises or on lands pooled therewith.

Martha Jane Shades

CUSTOMER'S DRAFT
 Courtesy of
 THE FIRST NATIONAL BANK
 P.O. BOX AA
 ARTESIA, NEW MEXICO 88210

Thirty (30) Banking Days From Sight Subject
 To Approval Of Title With Lease Attached

ARTESIA, NEW MEXICO

February 27, 2004

PAY TO THE
 ORDER OF

Martha Jane Rhodes, dealing in her sole and separate property

\$416.67

Four Hundred Sixteen and 67/100

VALUE RECEIVED AND CHARGE TO ACCOUNT OF -----DOLLARS
 WITH EXCHANGE

TO: First National Bank of Artesia
 Artesia, New Mexico 88210
 Acct. of Yates Petroleum Corporation

YATES PETROLEUM CORPORATION

Shirley Pruitt
 Shirley Pruitt, Land Technician

FIRST NATIONAL BANK/ARTESIA
 ARTESIA, NEW MEXICO 88210

DATE: April 29, 2004

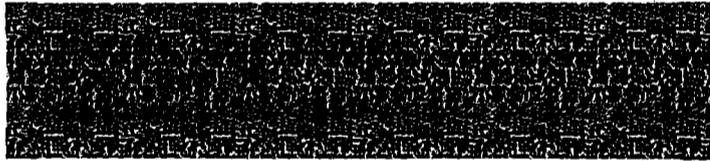
NO 33341

INCOMING COLLECTION

YOUR DATE AND/OR NUMBER	DESCRIPTION	DUE	CUSTOMER
Feb. 27, 04	Oil and Gas Lease-Draft	sight+30	[REDACTED]
Payable To: Martha Jane Rhodes		bk days	
		6-11-04	
SPECIAL INSTRUCTIONS:		REMITTED ON _____	AMOUNT
		RETURNED _____	OUR
		UNPAID ON _____	CHARGE
			TOTAL
			TOTAL

RECEIVED FROM

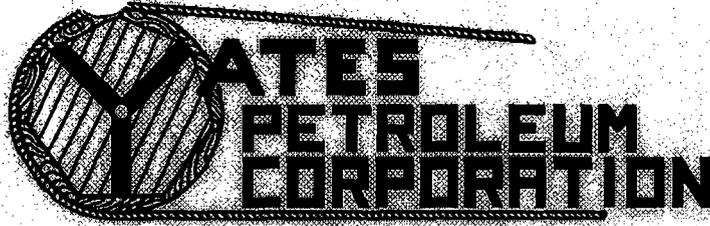
NAME & ADDRESS OF PAYER



Yates Petroleum
 Shirley Pruitt

2 - NOTICE TO CUSTOMER

PLEASE BRING THIS NOTICE TO COLLECTION DEPARTMENT



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

April 29, 2004

Martha Jane Rhodes
P. O. Box 58
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mrs. Rhodes:

Thank you for your response to our recent lease renewal offer. At this time, we are not able to accept the lease form and terms you provided. Enclosed please find two (2) copies of Oil and Gas Lease Form 342P, which we will accept. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you, per your instructions.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 29th day of April, 2004, but effective September 21, 2004 between Martha Jane Rhodes, dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used, provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Martha Jane Rhodes

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 26, 2004, by and between James M. Alexander, dealing in his sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.

LEASE NUMBER - NM-000403-002513-E LEASE NAME RHODES, MARTHA JANE

PROSPECT.....000000 ACCT. LEASE 270386-001
 ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 431 PAGE.. 959 REC DATE... 10/05/2001
 COUNTY #2..... BOOK.. PAGE.. REC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/21/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE..... 9/21/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE..... 9/20/2004 ACQUISITION DATE. 9/21/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR.....MARTHA JANE RHODES, DEALING IN HER SOLE AND SEPARATE PROPERTY
 ORIGINAL LESSEE.....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 416.67
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	4.17		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	4.17		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
				LEGAL DESCRIPTION			
01	25S	26E	17			200.00	4.17
	NW4NE4, E2E2						
TOTAL ACREAGE						200.00	4.17

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	GW	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

up
to

SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION....	MULTI-TRACT.....	
PUGH CLAUSE.... P PUGH	LESSER INTEREST...	SLIDING ROYALTY.	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPE.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

LEASE NUMBER - NM-000403-002513-E



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/88)

10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original	_____
<input type="checkbox"/> Revised	_____
<input type="checkbox"/> Final	_____
<input type="checkbox"/> Supplemental	_____

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500

TOTAL COSTS **1,341,000** **1,864,500**

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
--	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	

YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	

ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	

MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
T25S-R26E- SECTION 17
990' FNL & 1980' FEL
EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
DATE: 11/8/04
Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

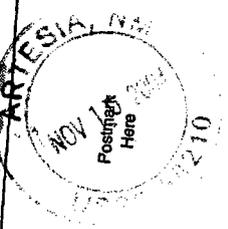
100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 10.14



Sent To
Martha Jane Alexander Rhodes
 Street, Apt. No., P.O. Box 58
 City, State, ZIP+4[®]
Abilene, TX 79604

PS Form 3800, June 2002
 See Reverse for Instructions

7002 2030 0001 8263 7430

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:

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

2. Article Number
(Transfer from service label)

7002 2030 0001 8263 7430

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

- A. Signatures Agent Addressee
X *Martha Rhodes*
- B. Received by (Printed Name)
Martha Rhodes
- C. Date
NOV 1 2004
- D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

Guitar

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

Martha Jane Rhodes
P O Box 58
Abilene, TX 79604

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Ms. Rhodes:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North ½ of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a ¼ royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Martha Janae Rhodes., dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Martha Jane Rhodes

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Martha Jane Rhodes

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____
Oil and Gas
Lease
FROM _____
TO _____

Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the
_____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

- THE POSTAGE WILL BE PAID BY ADDRESSEE
- RETURN TO SENDER IF UNDELIVERABLE
- NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY ADDRESSEE
 RETURN TO SENDER IF UNDELIVERABLE
 NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

MAILING ADDRESS
 POSTAGE WILL BE PAID BY ADDRESSEE
 RETURN TO SENDER IF UNDELIVERABLE
 NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

MAILING ADDRESS
 POSTAGE WILL BE PAID BY ADDRESSEE
 RETURN TO SENDER IF UNDELIVERABLE
 NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

7004 1160 0005 5321 3219

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		442
Total Postage & Fees	\$	

Postmark Here

Sent To Martha-Jane Alexander Rhodes
P O Box 58
 Street, Apt. No.; Abilene, TX 79604
 or PO Box No.

7004 1160 0005 5321 3219

Guitar BFL Com #1

Township 25 South, Range 26 East, NMPM

Section 17: N/2

Eddy County, New Mexico

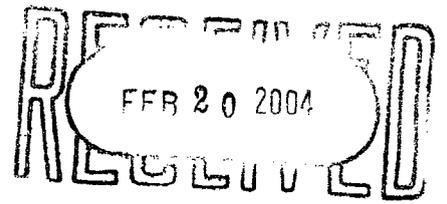
Mineral Owner:

Jeri Alexander Lott
9102 Vicksburg., #17
Lubbock, TX 79424

Net Acres in N/2 Spacing Unit 2.5
Percent Working Interest in Unit 0.781250%
Previous Lease dated: 9/21/01
Expiration: 9/20/04

Lease Renewal and Correspondence Timeline

2/13/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
2/20/04	Letter of Acceptance received as per terms offered.
2/20/04	Lease documents & bank draft sent as per terms accepted in offer letter
5/4/04	Received signed lease, containing several modifications, not acceptable to Yates management.
5/4/04	Responded with cover letter not accepting modified lease. Sent a compromise lease form, acceptable to Yates management.
9/21/04	No response from Mr. Lott - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/12/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/6/04	Received certified receipt of Final offer letter.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 13, 2004

Jeri Alexander Lott
9102 Vicksburg Ave., #17
Lubbock, TX 79424

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mrs. Lott:

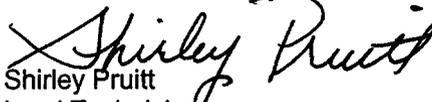
Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 4.1667 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on March 15, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

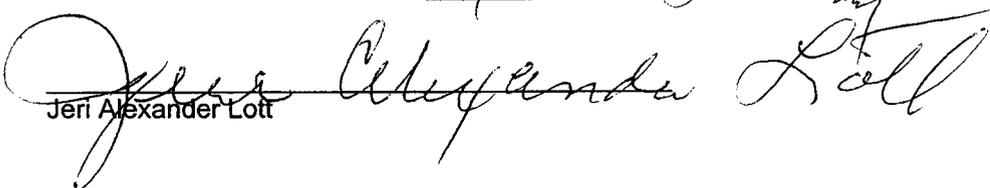
Thank you.

Very truly yours,
Yates Petroleum Corporation


Shirley Pruitt
Land Technician

/sp

AGREED and ACCEPTED this 14 day of February, 2004


Jeri Alexander Lott



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 20, 2004

Jeri Alexander Lott
9102 Vicksburg Ave., #17
Lubbock, TX 79424

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Ms.Lott:

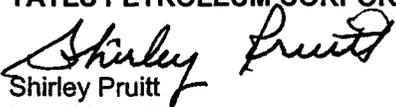
Enclosed are two (2) copies of our Paid-up Oil and Gas Lease, three (3) year term, providing for a 1/4 royalty, covering your interest in the captioned lands. Also enclosed is one (1) draft in the amount of \$416.67 which is full bonus consideration of \$100.00 per acre for your 4.1667 net mineral acre interest.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public. Also endorse the draft and send it for collection through your bank, together with the lease to the address below:

First National Bank of Artesia
P O Drawer AA
Artesia, New Mexico 88210
Attention: Collection Department

Or you may void the draft and send the executed and notarized lease, with the voided draft, directly back to me at the Yates Petroleum Corporation address and I will return to you a direct check.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

THIS AGREEMENT made this 14th day of February, 2004, but Effective September 21, 2004, between Jeri Alexander Lott, dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2

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.

~~3. The royalties to be paid by Lessee are: (a) on oil, $\frac{1}{4}$ 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 $\frac{1}{4}$ of the gas so sold or used, provided that on gas sold at the wells the royalty shall be $\frac{1}{4}$ of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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.

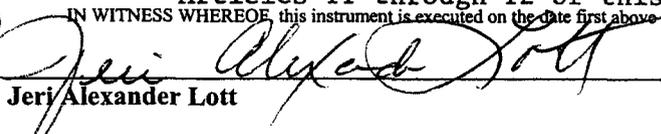
8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any 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.

Articles 11 through 12 of this Oil and Gas Lease are included in Exhibit A.

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


Jeri Alexander Lott

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 20____

No. Acres _____ County, NM

Term _____
This instrument was filed for record on the _____ day of _____, 20____ at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public

By _____

This instrument was acknowledged before me this _____ day of _____, 2004.

STATE OF _____)
(ss. _____)
COUNTY OF _____)

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public

of the _____

by _____ as _____

This instrument was acknowledged before me this _____ day of _____, 2004.

STATE OF _____)
(ss. _____)
COUNTY OF _____)

ACKNOWLEDGMENT

My commission expires _____

Billy Beadles
Notary Public

This instrument was acknowledged before me this _____ day of _____, 2004.

3

STATE OF Texas)
(ss. *W. Beadles*)
COUNTY OF _____)

INDIVIDUAL ACKNOWLEDGMENT

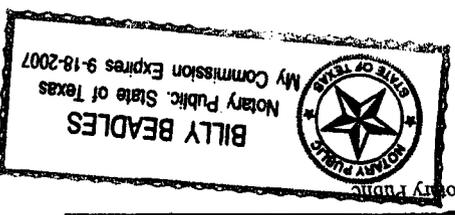


EXHIBIT A

Exhibit A to that certain Oil and Gas Lease covering T25S R26E, Sec 17, NW4NE4, E2E2, Eddy County, New Mexico.

11. Subject to the right of election reserved to Lessor to take its share of production in kind, the royalties to be paid by Lessee are twenty-five percent (25%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value of gas produced from the Leased Premises determined as follows: (i) at the well for gas sold at the well, (ii) at the point of sale for gas sold or used off the Leased Premises or (iii) on gas delivered to a processing plant, the market value at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on oil, gas and related hydrocarbons, the royalty shall never be less than twenty-five percent (25%) of the gross amount realized by Lessee from such sale. Royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the Leased Premises, and the royalty on oil and gas shall be computed after deducting any production so used. The royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons.

If there is a gas well on the Leased Premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the Leased Premises or on land pooled therewith sufficient to maintain this Lease in full force and effect, this Lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this Lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to Five Dollars (\$5.00) per net acre covered by this Lease, which payment shall be made to Lessor at P.O. Box 58, Abilene, Texas 79604, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the Leased Premises under all the terms and provisions of this Lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years after the end of the primary term. Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well.

12. Notwithstanding any other provisions hereof at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to Lessor, unless Lessee is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and commencement of another. "Completion" shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the Leased premises or on lands pooled therewith.

CUSTOMER'S DRAFT
Courtesy of
THE FIRST NATIONAL BANK
P.O. BOX AA
ARTESIA, NEW MEXICO 88210

Thirty (30) Banking Days From Sight Subject
To Approval Of Title With Lease Attached

ARTESIA, NEW MEXICO February 20, 2004

PAY TO THE
ORDER OF

Jeri Alexander Lott, dealing in her sole and separate property

\$416.67

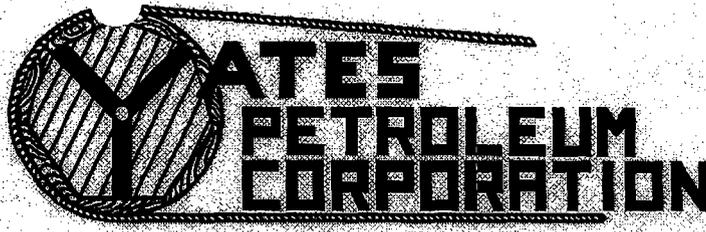
Four Hundred Sixteen and 67/100
VALUE RECEIVED AND CHARGE TO ACCOUNT OF

DOLLARS
WITH EXCHANGE

TO: First National Bank of Artesia
Artesia, New Mexico 88210
Acct. of Yates Petroleum Corporation

YATES PETROLEUM CORPORATION

Shirley Pruitt
Shirley Pruitt, Labor Technician



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

May 4, 2004

Jeri Alexander Lott
9102 Vicksburg Ave., #17
Lubbock, TX 79424

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mrs. Lott:

Thank you for your response to our recent lease renewal offer. At this time, we are not able to accept the lease form and terms you provided. Enclosed please find two (2) copies of Oil and Gas Lease Form 342P, which we will accept. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you, per your instructions.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads "Shirley Pruitt". The signature is written in a cursive, flowing style.

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 4th day of May, 2004, but effective September 21, 2004 between **Jeri Alexander Lott, dealing in her sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%**, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Jeri Alexander Lott

Shirley Pruitt

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____
County, NM _____

Term _____
This instrument was filed for record on the _____
day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF _____

CORPORATION ACKNOWLEDGMENT

My commission expires _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF Lubbock

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

Notary Public _____

Notary Public _____

Notary Public _____

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 4, 2004, by and between Jeri Alexnader Lott, dealing in her sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.

LEASE NUMBER - NM-000403-002513-F LEASE NAME LOTT, JERI ALEXANDER

PROSPECT.....000000 ACCT. LEASE 270387-001

ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 431 PAGE.. 971 REC DATE... 10/05/2001
 COUNTY #2..... BOOK.. PAGE.. REC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/21/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE..... 9/21/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE..... 9/20/2004 ACQUISITION DATE. 9/21/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR.....JERI ALEXANDER LOTT, DEALING IN HER SOLEA AND SEPARATE PROPE
 ORIGINAL LESSEE.....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 416.67
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	4.17		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	4.17		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
01	25S	26E	17	NW4NE4, E2E2		200.00	4.17
TOTAL ACREAGE						200.00	4.17

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	GWI	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION....	MULTI-TRACT.....	
PUGH CLAUSE... P PUGH	LESSER INTEREST...	SLIDING ROYALTY.	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPE.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE.....
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

LEASE NUMBER - NM-000403-002513-F



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

GUITAR BFL COM #1
ADDRESSEE LIST

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE NO. 04-542-0
AFE DATE 10/29/04

AFEND (rev 6/98)
10-29-04

AFE STATUS:

<input checked="" type="checkbox"/> Original	
<input type="checkbox"/> Revised	
<input type="checkbox"/> Final	
<input type="checkbox"/> Supplemental	

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500
TOTAL COSTS		1,341,000	1,864,500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
-----------------------------------	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	
YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	
ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	
MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

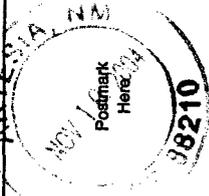
TOTAL

100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE



Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	0.44

Sent To
Jeri Alexander Lott
Street, Apt. No., or PO Box No. 9102 Vicksburg Ave., #17
City, State, ZIP+4 Lubbock, TX 79356

PS Form 3800, June 2002 See Reverse for Instructions

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:

Jeri Alexander Lott
 9102 Vicksburg Ave., #17
 Lubbock, TX 79356

2. Article Number
(Transfer from service label)

7002 2030 0001 8263 7485

PS Form 3811, February 2004

Domestic Return Receipt

102695-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
Jeri Alexander Lott Addressee

B. Received by (Printed Name) Date of Delivery
Jeri Alexander Lott 11-12-04

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

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Gunter

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

Jeri Alexander Lott
9102 Vicksburg Ave., #17
Lubbock, TX 79424

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Ms. Lott:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North ½ of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a ¼ royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Jeri Alexander Lott, dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Jeri Alexander Lott

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Jerj Alexander Lott

My commission expires _____
Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

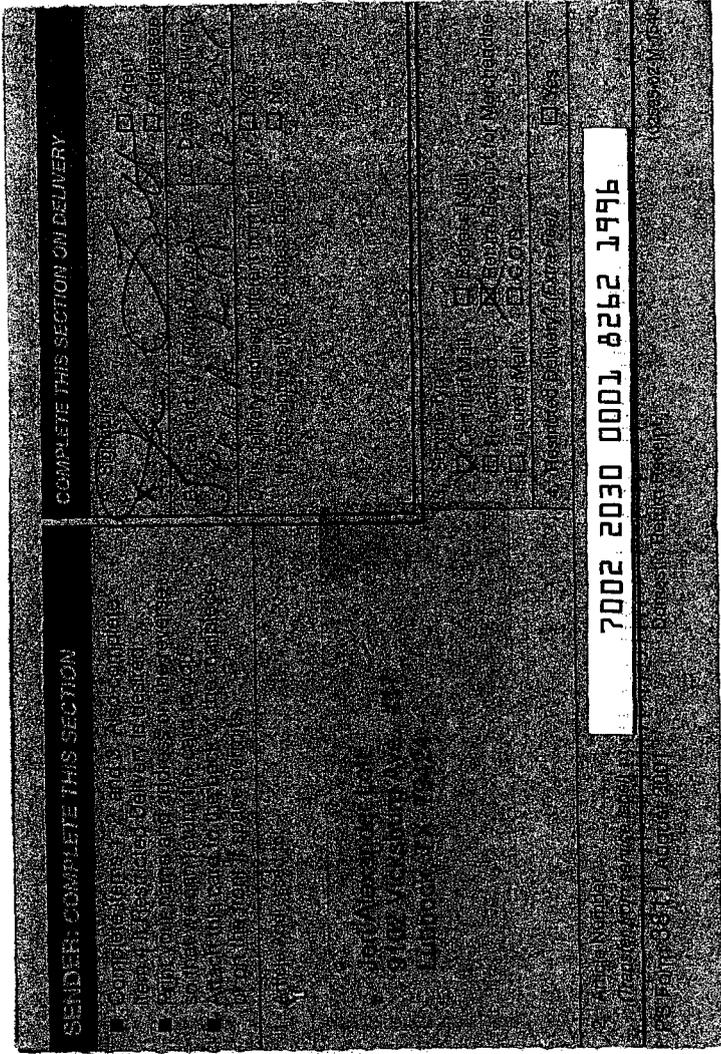
STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____
Notary Public

Producers 88 Rev. (Year Lease) 5-96
No. _____
Oil and Gas Lease
FROM _____
TO _____
Dated _____, 20____
No. Acres _____
Term _____
This instrument was filed for record on the _____
at _____ day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210



7002 2030 0001 8262 1996

**U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE



Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42

Sent To **Jeri Alexander-Lott**
9102 Vicksburg Ave., #17
 Street, Apt. No.; **Lubbock, TX 79424**
 or PO Box No.
 City, State, ZIP+4

7002 2030 0001 8262 1996

Guitar BFL Com #1

Township 25 South, Range 26 East, NMPM

Section 17: N/2

Eddy County, New Mexico

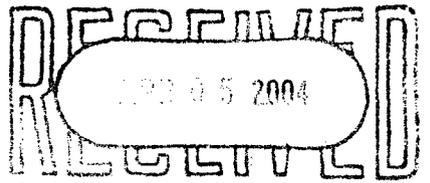
Mineral Owner:

James Kelly Polk
12 Augusta
Abilene, TX 79606

Net Acres in N/2 Spacing Unit 2.5
Percent Working Interest in Unit 0.781250%
Previous Lease dated: 10/5/01 (Estate of Mary Guitar Polk)
Expiration: 10/4/04

Lease Renewal and Correspondence Timeline

3/9/04	Offer letter sent to renew previous lease: Estate of Mary Guitar Polk c/o James K. Polk Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
4/5/04	Received signed acceptance to renew lease as per terms offered.
4/5/04	Sent lease documents and bank draft as per terms accepted.
10/28/04	Received executed lease as per term offered. Also received Deed of Distribution from Estate to 3 heirs - need to void this lease, send offer to each of 3 heirs.
10/28/04	Expired lease under the Estate of Mary Guitar Polk
11/5/04	Sent lease documents under the above agreed terms, 1/3 interest from Estate of Mary Guitar Polk
Current	No response from Mr. Polk concerning lease
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/16/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/2/04	Received certified receipt of sent final offer.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

March 9, 2004

Estate of Mary Guitar Polk
c/o James K. Polk
12 Augusta Court
Abilene, TX 79604

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Polk:

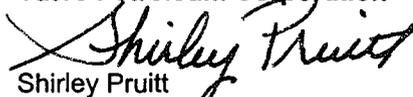
Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 12.5 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on April 9, 2004.
5. Title acceptable to Yates Petroleum Corporation.

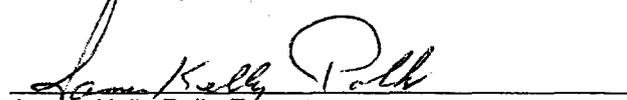
If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

Thank you.

Very truly yours,
Yates Petroleum Corporation


Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this 31 day of March, 2004
Estate of Mary Guitar Polk


James Kelly Polk, Executor



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

April 5, 2004

Estate of Mary Guitar Polk
c/o James K. Polk
12 Augusta Court
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Polk:

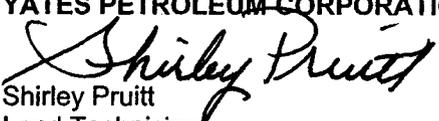
Enclosed are two (2) copies of our Paid-up Oil and Gas Lease, three (3) year term, providing for a 1/4 royalty, covering your interest in the captioned lands. Also enclosed is one (1) draft in the amount of \$1250.00 which is full bonus consideration of \$100.00 per acre for your 12.5 net mineral acre interest.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public. Also endorse the draft and send it for collection through your bank, together with the lease to the address below:

First National Bank of Artesia
P O Drawer AA
Artesia, New Mexico 88210
Attention: Collection Department

Or you may void the draft and send the executed and notarized lease, with the voided draft, directly back to me at the Yates Petroleum Corporation address and I will return to you a direct check.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

CUSTOMER'S DRAFT
Courtesy of
THE FIRST NATIONAL BANK
P.O. BOX AA
ARTESIA, NEW MEXICO 88210

**Thirty (30) Banking Days From Sight Subject
To Approval Of Title With Lease Attached**

ARTESIA, NEW MEXICO _____ April 5, 2004

**PAY TO THE
ORDER OF _____**

Estate of Mary Guitar Polk, James Kelly Polk, Executor \$1250.00

One Thousand Two Hundred Fifty and 00/100-----DOLLARS
VALUE RECEIVED AND CHARGE TO ACCOUNT OF WITH EXCHANGE

TO: First National Bank of Artesia
Artesia, New Mexico 88210
Acct. of Yates Petroleum Corporation

YATES PETROLEUM CORPORATION


Shirley Pruitt, Land Technician

THIS AGREEMENT made this 5th day of April, 2004, but Effective October 5, 2004, between Estate of Mary Guitar Polk, James Kelly Polk, Executor, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%, as Lessee, WITNESSETH:

1. Lessors 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:

**Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2**

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Estate of Mary Guitar Polk

By: James Kelly Polk
James Kelly Polk, Executor

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)

) ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,

By: _____

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF Texas)

) ss.

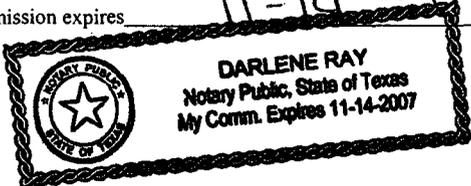
COUNTY OF Taylor)

This instrument was acknowledged before me this 28th day of October, 2004,

by James Kelly Polk as Executor of the Estate of Mary Guitar Polk

My commission expires 11-14-2007

Darlene Ray
Notary Public



INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)

) ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,

By: _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas Lease

FROM _____

TO _____

Dated _____, 20____

No. Acres _____ County, NM

Term _____

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.

By _____ County Clerk

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

DEED OF DISTRIBUTION

JAMES KELLY POLK, Personal Representative of the Estate of **MARY GUITAR POLK, DECEASED**, under Cause No. PB-89-95 S, District Court of Eddy County, State of New Mexico, whose address is 12 Augusta, Abilene, Texas 79606 (herein called "Grantor"), as and for Distribution of real property from the Estate of **MARY GUITAR POLK, DECEASED**, and as evidence of the Grantees' title pursuant to 45-3-907 NMSA 1978, hereby **GRANTS, ASSIGNS, TRANSFERS, AND CONVEYS** to the following named persons, (herein called "Grantees"), in equal undivided interests, and as the sole and separate property of each, whose names and addresses are shown as follows, to wit:

**James Kelly Polk
12 Augusta
Abilene, Texas 79606**

**Ruth Ann Polk Caudle
5615 Preston Fairways
Dallas, Texas 75202**

**Janis Lee Polk Harbour
4400 Arcady
Dallas, Texas 75205**

All of the right, title, ownership and/or interest of **MARY GUITAR POLK, Deceased** in, to, or under the following described property located in Eddy County, New Mexico, to wit:

See Exhibit "A" which is attached and incorporated by reference.

TO HAVE AND TO HOLD the above described property together with all and singular the rights, privileges and appurtenances thereto or in any wise belonging unto the Grantees, and their Heirs, Successors, Personal Representatives, and Assigns forever.

Page 1 of 2

McCormick Law Firm
P O Box 1718
Carlsbad NM 88221-1718

Section 6: NE/4NE/4; W 3/4 SE/4NE/4;
 E/2NE/4SE/4NE/4; W 3/4 NE/4SE/4;
 E/2NE/4NE/4SE/4; SW/4SE/4; N/2NW/4SE/4;
 SW/4NW/4SE/4; E/2SE/4NW/4SE/4;
 W/2SE/4SW/4; W/2SE/4SE/4SW/4;
 E/2NE/4SE/4SW/4; W 3/4 NE/4SW/4;
 E/2NE/4NE/4SW/4; S/2SE/4NW/4;
 NW/4SE/4NW/4; SW/4NW/4; N/2NW/4SW/4;
 SE/4NW/4SW/4

Section 7: Lot 4 (SW/4SW/4); SE/4SW/4

Section 7: N/2NE/4; N/2SE/4NE/4; W/2NW/4;
 S/2NE/4NW/4; NW/4NE/4NW/4;
 E/2NE/4NE/4NW/4; N/2SE/4NW/4;
 E 3/4 S/2SE/4NW/4; S/2NE/4SW/4;
 NE/4NE/4SW/4; NE/4NW/4SW/4; SW/4NW/4SW/4;
 E/2SE/4NW/4SW/4; SW/4SW/4SE/4;
 E/2SW/4SE/4

Section 12: NW/4NW/4

Section 18: Lot 1 (NW/4NW/4)

TOWNSHIP 24 SOUTH, RANGE 29 EAST

Section 20: W/2NW/4NE/4; NE/4NW/4NE/4;
 N/2SE/4NW/4NE/4

Section 21: S/2SE/4

Section 28: N/2NE/4

TOWNSHIP 25 SOUTH, RANGE 26 EAST

Section 17: N/2NE/4; SE/4NE/4; E/2SE/4

Section 20: E/2NE/4; SW/4NE/4

Section 26: N/2NW/4; SE/4NW/4

Section 27: NE/4NE/4

TOWNSHIP 26 SOUTH, RANGE 27 EAST

Section 23: SW/4NE/4

Section 23: SE/4NW/4; E/2SW/4; SE/4

Lots 20 and 22, Block 5, of the Original
 Town of Loving, Eddy County, New Mexico

ALL of the Grantor's right, title, and interest in
 and to the surface estate only in and to the
 following lots, tracts, or parcels of land located
 in the County of Eddy, State of New Mexico:

Lot 14 in Block 102
Lot 5 in Block 103
Lot 9 in Block 105
Lot 4 in Block 114

RECEPTION NO: 0315684 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 12/22/2003 3:37 PM
BOOK 0534 PAGE 0327 *um*
JEAN BLENDE, COUNTY CLERK



LEASE NUMBER - NM-000403-002513-T LEASE NAME POLK, MARY GUITAR, ESTATE

PROSPECT.....000000 ACCT. LEASE 271251-001

ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 442 PAGE.. 562 REC DATE... 12/31/2001
 COUNTY #2..... BOOK.. PAGE.. RSC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/25/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE.....10/05/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE.....10/04/2004 ACQUISITION DATE. 9/25/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR.....ESTATE OF MARY GUITAR POLK, JAMES KELLY POLK, EXECUTOR
 ORIGINAL LESSEE.....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 1250.00
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	12.50		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	12.50		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
01	25S	26E	17	LEGAL DESCRIPTION		200.00	12.50
	NW4NE4, R22E						
TOTAL ACREAGE						200.00	12.50

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	GW	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

ap
 kb

SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION...	MULTI-TRACT.....	
PUGH CLAUSE... B VERT/HRZ	LESSER INTEREST...	SLIDING ROYALTY.	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPER.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE.....
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

November 5, 2004

James Kelly Polk
12 Augusta
Abilene, TX 79606

Re: Oil and Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Polk:

Yates Petroleum Corporation would like to extend an offer to lease your mineral interest in the captioned acreage. I have taken the liberty of enclosing two (2) copies of a Paid-up Oil and Gas Lease, Three-year (3) term providing for a 1/4 royalty, covering your interest in the captioned lands. Subject to approval of title, payment will be made to you upon receipt of the executed oil and gas lease at \$100.00 per acre for the 4.167 net mineral acres owned by you.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public and return to this office. Upon receipt of the properly executed lease we will issue a check in the amount of \$416.70 to you.

This offer will expire November 19, 2004 if we have not received your executed lease. If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION


Shirley Pruitt
Land Technician

/sp
Enclosure(s)

THIS AGREEMENT made this 5th day of November, 2004, between **James Kelly Polk, dealing in his sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10%; AND MYCO INDUSTRIES, INC.-10%**, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

James Kelly Polk

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Texas)

) ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,

By: James Kelly Polk, dealing in his sole and separate property

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)

)ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,

by _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)

)ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,

By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas Lease

FROM _____

TO _____

Dated _____, 20____

No. Acres _____

Term _____ County, NM

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Shirley Pruitt



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/98)
10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original	_____
<input type="checkbox"/> Revised	_____
<input type="checkbox"/> Final	_____
<input type="checkbox"/> Supplemental	_____

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:	DRY HOLE	COMP'D WELL
920-100 Staking, Permit & Legal Fees	3,000	3,000
920-110 Location, Right-of-Way	35,000	35,000
920-120 Drilling, Footage		
920-130 Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140 Drilling Water, Fasline Rental	35,000	35,000
920-150 Drilling Mud & Additives	45,000	45,000
920-160 Mud Logging Unit, Sample Bags	30,000	30,000
920-170 Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180 Drill Stem Testing, OHT		
920-190 Electric Logs & Tape Copies	60,000	60,000
920-200 Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205 Control of Well-Insurance	5,000	5,000
920-210 Supervision & Overhead	50,000	50,000
920-230 Coring, Tools & Service		
920-240 Bits, Tool & Supplies Purchase	80,000	80,000
920-350 Cementing - Production Casing		40,000
920-410 Completion Unit - Swabbing		30,000
920-420 Water for Completion		5,000
920-430 Mud & Additives for Completion		1,000
920-440 Cementing - Completion		
920-450 Elec. Logs, Testing, Etc. - Completion		20,000
920-460 Tools & Equip. Rental, Etc. - Completion		50,000
920-470 Stimulation for Completion		100,000
920-480 Supervision & O/H - Completion		1,500
920-490 Additional LOC Charges - Completion		10,000
920-510 Bits, Tools & Supplies - Completion		1,500
920-500 Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS	1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:	DRY HOLE	COMP'D WELL
930-010 Christmas Tree & Wellhead	5,000	30,000
930-020 Casing 13 3/8" @ 400'	11,000	11,000
9 5/8" @ 1,800'	27,000	27,000
7" @ 8,600'	108,000	108,000
4 1/2" 12,000'		85,500
930-030 Tubing 2 3/8" @ 11,800'		49,000
930-040 Packer & Special Equipment		
940-010 Pumping Equipment		
940-020 Storage Facilities		15,000
940-030 Separation Equip., Flowlines, Misc.		75,000
940-040 Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS	151,000	415,500

TOTAL COSTS **1,341,000** **1,864,500**

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
--	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	
YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	
ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	
MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

100.000000%

U.S. Postal Service
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL RECEIPT

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	0.44

NOV 10
 Postmark Here

Sent To James Kelly Polk
 Street, Apt. No., or PO Box No. 12 Augusta
 City, State, ZIP+4 Abilene, TX 79604

PS Form 3800, June 2002 See Reverse for Instructions

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:

James Kelly Polk
 12 Augusta
 Abilene, TX 79604

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
 B. Received by (Printed Name) James Kelly Polk
 C. Date of Delivery 11/10/04

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

Carver

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

2. Article Number (Transfer from service label)

7002 2030 0001 8263 7416

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-104-1540

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

James Kelly Polk
12 Augusta
Abilene, TX 79606

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mr. Polk:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between **James Kelly Polk, dealing in his sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%**, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

James Kelly Polk

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by James Kelly Polk

My commission expires _____
Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004.
By _____

My commission expires _____
Notary Public

Producers 88 Rev. (Year Lease) 5-96
No. _____
Oil and Gas Lease
FROM _____
TO _____
Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the _____
at _____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.
By _____ County Clerk
_____ Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

COMPLETE THIS SECTION ON DELIVERY

Signature: *James Kelly Polk*
Date: *12/12/02*

7004 1160 0005 5321 3165

SENDER: COMPLETE THIS SECTION

- Complete return address (required for all mail)
- Mark "NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES" (for First-Class Mail only)
- Mark "NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES" (for First-Class Mail only)
- Mark "NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES" (for First-Class Mail only)

Address Number and Street Name
 City, State, ZIP+4

Post Office Name
 City, State, ZIP+4

Address Number and Street Name
 City, State, ZIP+4

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL RECEIPT



Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	<i>H.K.</i>

Sent To: **James Kelly Polk**
 12 Augusta
 Street, Apt. No., Abilene, TX 79606
 or PO Box No.
 City, State, ZIP+4

7004 1160 0005 5321 3165

Guitar BFL Com #1

Township 25 South, Range 26 East, NMPM

Section 17: N/2

Eddy County, New Mexico

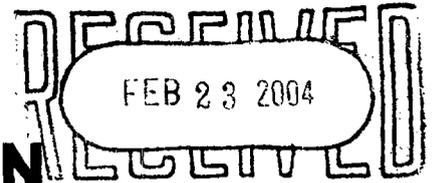
Mineral Owner:

Marilyn Guitar Galusha Trust
P O Box 1438
Abilene, TX 79604

Net Acres in N/2 Spacing Unit 1.875
Percent Working Interest in Unit 0.585938%
Previous Lease dated: 9/21/01
Expiration: 9/20/04

Lease Renewal and Correspondence Timeline

2/13/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
2/23/04	Received signed acceptance to renew lease as per terms offered.
2/25/04	Sent lease documents and bank draft as per term accepted.
4/23/04	Received executed lease with several modifications and amendments.
4/23/04	Sent letter to explain that terms added are not acceptable to Yates management. Sent modified compromise lease form. Several phone conversations - no compromise reached.
9/21/04	No response from Ms. Galusha - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/12/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/8/04	Received certified receipt of Final offer letter.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 13, 2004

Marilyn Guitar Galusha Trust
P. O. Box 1438
Abilene, TX 79604

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Ms. Galusha:

Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 3.125 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on March 15, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

Thank you.

Very truly yours,
Yates Petroleum Corporation


Shirley Pruitt
Land Technician

/sp

AGREED and ACCEPTED this 18 day of February, 2004
Marilyn Guitar Galusha Trust


Trustee



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 25, 2004

Marilyn Guitar Galusha
P. O. Box 1438
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Ms. Galusha:

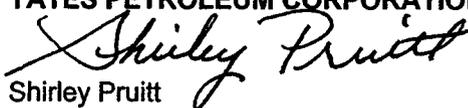
Enclosed are two (2) copies of our Paid-up Oil and Gas Lease, three (3) year term, providing for a 1/4 royalty, covering your interest in the captioned lands. Also enclosed is one (1) draft in the amount of \$312.50 which is full bonus consideration of \$100.00 per acre for your 3.125 net mineral acre interest.

If the above meets with your approval, please execute the Oil and Gas Lease before a Notary Public. Also endorse the draft and send it for collection through your bank, together with the lease to the address below:

First National Bank of Artesia
P O Drawer AA
Artesia, New Mexico 88210
Attention: Collection Department

Or you may void the draft and send the executed and notarized lease, with the voided draft, directly back to me at the Yates Petroleum Corporation address and I will return to you a direct check.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,
YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

THIS AGREEMENT made this 18th day of February, 2004, but Effective September 21, 2004, between Marilyn Guitar Galusha, Trustee of the Marilyn Guitar Galusha Trust, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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.~~

A SHUT IN GAS WELL WILL NOT SERVE TO EXTEND THE TERM OF THIS LEASE FOR MORE THAN ONE YEAR AFTER THE DATE SAID WELL IS SHUT IN.

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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

See Exhibit A

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

Marilyn Guitar Galusha trustee of
Marilyn Guitar Galusha, Trustee of the
Marilyn Guitar Galusha Trust
Marilyn Guitar Galusha Trust

Exhibit "A"

11 Notwithstanding anything else to the contrary herein, payment of shut-in Gas Well Royalties will not be permitted to maintain this Lease in force for a period greater than one year beyond the primary term, at which time this Lease shall automatically terminate.

12. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a Well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one Well and the commencement of another. "Completion" shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a Well has been completed as a producing Well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the Leased premises or on lands pooled therewith.

13. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil gas, or other hydrocarbons covered by this lease.

CUSTOMER'S DRAFT
Courtesy of
THE FIRST NATIONAL BANK
P.O. BOX AA
ARTESIA, NEW MEXICO 88210

Thirty (30) Banking Days From Sight Subject
To Approval Of Title With Lease Attached

ARTESIA, NEW MEXICO

February 25, 2004

PAY TO THE
ORDER OF

Marlyn Guitar Galuska, Trustee of the Marlyn Guitar Galuska Trust

\$312.50

Three Hundred Twelve and 50/100

VALUE RECEIVED AND CHARGE TO ACCOUNT OF

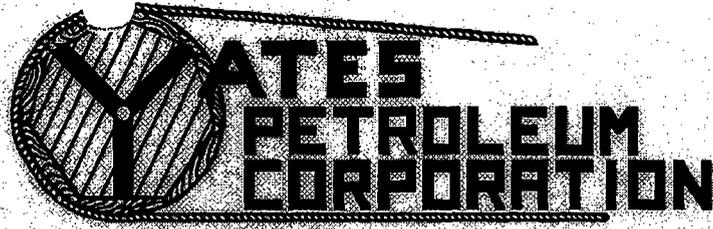
DOLLARS
WITH EXCHANGE

TO: First National Bank of Artesia
Artesia, New Mexico 88210
Acct. of Yates Petroleum Corporation

YATES PETROLEUM CORPORATION

Shirley Pruitt
Shirley Pruitt, Land Technician

*Please send
check -
Thanks*



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

April 23, 2004

Marilyn Guitar Galusha
P. O. Box 1438
Abilene, TX 79604

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Ms. Galusha:

Thank you for your response to our recent lease renewal offer. At this time, we are not able to accept the lease form and terms you provided. Enclosed please find two (2) copies of Oil and Gas Lease Form 342P, containing a two (2) year shut-in provision, which we will accept. Also, the lease form you mailed to us was not notarized. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you, per your instructions.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Shirley Pruitt'.

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

LEASE NUMBER - NM-000403-002513-K LEASE NAME GALUSHA, MARILYN GUITAR, TRUST

PROSPECT.....000000 ACCT. LEASE 270392-001
 ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 431 PAGE.. 968 REC DATE... 10/05/2001
 COUNTY #2..... BOOK.. PAGE.. REC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/21/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE..... 9/21/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE..... 9/20/2004 ACQUISITION DATE. 9/21/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR....MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTE
 ORIGINAL LESSEE....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 312.50
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	3.12		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	3.12		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
01	25S	26E	17	NW4NE4, E2E2		200.00	3.12
TOTAL ACREAGE						200.00	3.12

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	GWI	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

ef
kp

SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION....	MULTI-TRACT.....	
PUGH CLAUSE... P PUGH	LESSER INTEREST...	SLIDING ROYALTY..	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPE.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE.....
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

LEASE NUMBER - NM-000403-002513-K

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 23, 2004

Brett Guitar Witherspoon
P. O. Box 100635
Fort Worth, TX 76185

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to our telephone conversation of September 3, 2004, Yates Petroleum Corporation would like to work with you to compile a lease form acceptable to the Guitar family members and our corporation.

Our objection to the counter-offer of Marilyn Galusha is the one-year shut-in. The current lease form provides for a two-year shut-in and amending to one-year is not reasonable. This is a wildcat area and there is no existing infrastructure. If we decide to drill, it could easily take over one year just to get pipeline in to the area.

Concerning James Alexander's counter-offer, we have reviewed amended Paragraph 11 to Exhibit A and discussed it with the other two departments affected, accounting and marketing. The first paragraph in Paragraph 11 appears to be ambiguous and contradictory to other paragraphs in the lease. Paragraph 4 allows the same deductions as royalties due the United States. However, item 11 also states "royalty shall never be less than twenty-five percent of the gross amount realized by Lessee...." The language is confusing and needs clarification. For your information, the Yates believe in paying royalty owners on the same basis as they get paid. As to the second paragraph of Paragraph 11, we will agree to \$5.00 per net acre shut-in. However, we will require amending "this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years" to consecutive years. Please consider striking the last sentence of Item 11. In Item 12, we request amending **from** "below the deepest producing horizon" to "below the deepest depth drilled". We believe it is fair to let us keep all the formations we drill and then determine the most viable order to produce the well.

May we hear from you soon concerning this matter? If you have questions, please call me at (505) 748-4356.

Very truly yours,
YATES PETROLEUM CORPORATION


Shirley Pruitt
Land Technician

/s

OIL & GAS LEASE

THIS AGREEMENT made this 23rd day of April, 2004, but effective September 21, 2004 between Marilyn Guitar Galusha, Trustee of the Marilyn Guitar Galusha Trust, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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 ~~thereby 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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Marilyn Guitar Galusha Trust

Marilyn Guitar Galusha, Trustee

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 20____
No. Acres _____

County, NM

Term _____
This instrument was filed for record on the _____
day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public

Trustee of the Marilyn Guitar Galusha Trust

This instrument was acknowledged before me this _____

day of _____, 2004, by _____

Marilyn Guitar Galusha, as _____

COUNTY OF _____

) ss. _____

STATE OF Texas

CORPORATION ACKNOWLEDGMENT

My commission expires _____

Notary Public

This instrument was acknowledged before me this _____

day of _____, 2004, by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated April 23, 2004, by and between Marilyn Guitar Galusha, Trustee of the Marilyn Guitar Galusha Trust, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time the Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads "Susan Vierra". The signature is written in a cursive style with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GC*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GC*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GC*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GC*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GC*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GC*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GC*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GC*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/98)
10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original	
<input type="checkbox"/> Revised	
<input type="checkbox"/> Final	
<input type="checkbox"/> Supplemental	

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500
TOTAL COSTS		1,341,000	1,864,500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
--	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	

YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	

ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	

MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

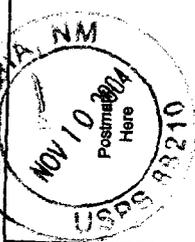
100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	10.49
Total Postage & Fees \$	



Sent To Marilyn Guitar Galusha
 Street, Apt. No., P.O. Box 1438
 or PO Box No. Abilene, TX 79604
 City, State, Zip+4

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0002 8263 7515

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:

Marilyn Guitar Galusha
 P.O. Box 1438
 Abilene, TX 79604

COMPLETE THIS SECTION ON DELIVERY

A. Signature Marilyn Galusha Agent Addressee

B. Received by (Printed Name) Marilyn Galusha Agent Addressee

C. Date of Delivery NOV 12 2004

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

Galusha

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

2. Article Number

7902 2030 0001 8263 7515

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

Marilyn Guitar Galusha
P O Box 1438
Abilene, TX 79604

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Ms. Galusha:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Marilyn Guitar Galusha, Trustee of the Marilyn Guitar Galusha Trust, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Marilyn Guitar Galusha Trust

Marilyn Guitar Galusha, Trustee

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____

My commission expires _____
Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Marilyn Guitar Galusha as Trustee
for the Marilyn Guitar Galusha Trust

My commission expires _____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

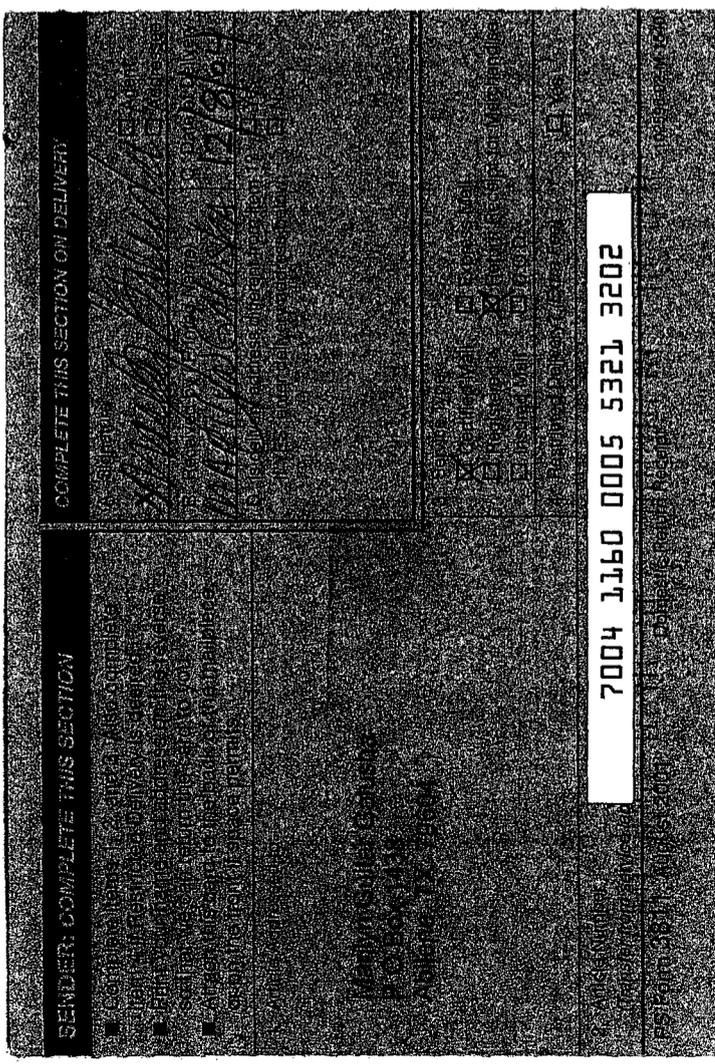
STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____
Notary Public

Producers 88 Rev. (Year Lease) 5-96
No. _____
Oil and Gas Lease
FROM _____
TO _____
Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the _____
day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210



COMPLETE THIS SECTION ON DELIVERY

SENDER: COMPLETE THIS SECTION

POSTAGE WILL BE PAID BY ADDRESSEE
NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES
FIRST CLASS
PERMIT NO. 1000
ABILENE, TX

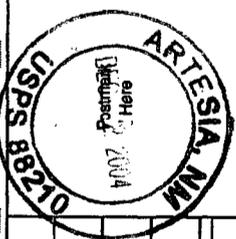
7004 1160 0005 5321 3202

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	4.42
Total Postage & Fees \$	



Sent To Marilyn Guitar Galusha
P O Box 1438
 Street, Apt. No.; Abilene, TX 79604
 or PO Box No.
 City, State, ZIP+4

202E 12E5 5000 09CT 400L



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

February 13, 2004

Pressley H. Guitar
P. O. Box 2365
Big Spring, TX 79721

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

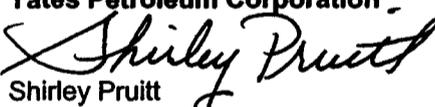
Mr. Guitar:

Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 3.125 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on March 15, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

Thank you.

Very truly yours,
Yates Petroleum Corporation

Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this _____ day of _____, 2004

Pressley H. Guitar

MARTIN YATES, III
1913-1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 1, 2004

Pressley H. Guitar
P. O. Box 2365
Big Spring, TX 79721

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Guitar:

February 13, 2004 Yates Petroleum Corporation extended an offer to re-new your lease in the captioned acreage. That offer has expired, however, we are still interested in renewing your lease subject to the following:

1. A Paid-up Three (3) year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 3.125 net mineral acres owned by you;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire September 15, 2004 at office closing;
5. Title acceptable to Yates Petroleum Corporation.

I have taken the liberty of enclosing two (2) copies of Oil and Gas Lease Form 342P. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you in the amount of \$312.50 as full bonus payment of \$100.00 per acre for the 3.125 net mineral acres owned by you.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp

OIL & GAS LEASE

THIS AGREEMENT made this 1st day of September, 2004, but effective September 25, 2004 between Pressley H. Guitar, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Pressley H. Guitar

Shirley Pruitt

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____

County, NM

Term _____
This instrument was filed for record on the
_____ day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF _____

CORPORATE ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF _____
Texas

INDIVIDUAL ACKNOWLEDGMENT

Pressley H. Guiter, dealing in his sole and separate property

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated September 1, 2004 by and between Pressley H. Guitar, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.

LEASE NUMBER - NM-000403-002513-Y LEASE NAME GUITAR, PRESSLEY H.

PROSPECT.....000000

ACCT. LEASE 271298-001

ACQ CODE.....
 COUNTY #1.....EDD EDDY BOOK.. 449 PAGE.. 119 REC DATE... 2/28/2002
 COUNTY #2..... BOOK.. PAGE.. REC DATE... 0/00/0000
 STATE.....NM NEW MEXICO
 LEASE DATE..... 9/25/2001 RECORD STATUS... CM COMPLETE LEASE RECORD
 EFFECTIVE DATE..... 9/25/2001 LEASE TYPE.....X FEE LEASE
 EXPIRATION DATE..... 9/24/2004 ACQUISITION DATE. 9/25/2001
 PRIMARY TERM..... 3 YR LEASE/RENTAL STAT...PDU PAID UP LEASE
 ORIGINAL LESSOR....PRESSLEY H. GUITAR, DEALING IN HIS SOLE & SEPARATE PROPERTY
 ORIGINAL LESSEE....YPC
 ACQUIRED - HOW..... BONUS PER ACRE... 100.00
 - FROM..... TOTAL BONUS..... 312.50
 LESSEE OF RECORD....

ACREAGES	LSE GROSS	LEASE NET	OUR NET	BASE ACRES.....
TOTAL.....	200.00	3.12		LESSOR MI.....
DEVELOPED....				LESSOR RI..... .25000000
UNDEVELOPED..	200.00	3.12		TOTAL ORRI.....
NO TOTALIZE..				LEASE NRI..... .75000000

LEGAL DESCRIPTION INFORMATION:

SEQ	TWP	RNG	SEC	LOCATION	ABSTRACT #	LSE GRS	LSE NET
----- LEGAL DESCRIPTION -----							
01	25S	26E	17			200.00	3.12
	NW4NE4, E2E2						
TOTAL ACREAGE						200.00	3.12

OWNERSHIP INFORMATION:

OWNER#	WORKING INTEREST	OWNER	GWI	OTHER CO LSE
5000	ABO	PETROLEUM CORPORATION	.10000000	
640010	MYCO	INDUSTRIES, INC.	.10000000	
994100	YATES	DRILLING COMPANY	.10000000	
999900	YATES	PETROLEUM CORPORATION	.70000000	
TOTAL INTEREST			1.00000000	

EXPIRED

9/8
1/8

SPECIAL FEATURES/WELL CROSS REFERENCE:

HELD BY PROD...	SURFACE DAMAGES...	POOLING..OIL	GAS
HELD BY UNIT...	MINIMUM ROYALTY...	REWORK DAYS.....	
SHUT-IN PROV... 2 TWO YR	RENEWAL OPTION....	MULTI-TRACT.....	
PUGH CLAUSE... B VERT/HRZ	LESSER INTEREST...	SLIDING ROYALTY.	
REASMT OBLIG...	CONT. DRILLING.... Y		
UNIT CLAUSE....			

DELAY RENTAL/SHUT-IN INFORMATION:

RENTAL PAID BY.....	SHUT-IN PAID BY.....
RENTAL PER ACRE.....	SHUT-IN PER ACRE.....
RENTAL AMOUNT/TYPE.....	SHUT-IN AMOUNT.....
BANK FEE	BANK FEE.....
TOTAL RENTAL.....	TOTAL SHUT-IN.....
COMPANY SHARE.....	COMPANY SHARE.....
RENTAL DUE DATE..... 0/00/0000	SHUT-IN DUE DATE..... 0/00/0000
PAYMENT FREQUENCY.....	PAYMENT FREQUENCY.....
	HBP WELL NAME..
	MULT/COMB CHECKS

LEASE NUMBER - NM-000403-002513-Y



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra'. The signature is written in a cursive style with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *cl*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *cl*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *cl*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *cl*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *cl*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *cl*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *cl*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *cl*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/98)
10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Revised
<input type="checkbox"/> Final
<input type="checkbox"/> Supplemental

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:

	DRY HOLE	COMP'D WELL
920-100 Staking, Permit & Legal Fees	3,000	3,000
920-110 Location, Right-of-Way	35,000	35,000
920-120 Drilling, Footage		
920-130 Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140 Drilling Water, Fasline Rental	35,000	35,000
920-150 Drilling Mud & Additives	45,000	45,000
920-160 Mud Logging Unit, Sample Bags	30,000	30,000
920-170 Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180 Drill Stem Testing, OHT		
920-190 Electric Logs & Tape Copies	60,000	60,000
920-200 Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205 Control of Well-Insurance	5,000	5,000
920-210 Supervision & Overhead	50,000	50,000
920-230 Coring, Tools & Service		
920-240 Bits, Tool & Supplies Purchase	80,000	80,000
920-350 Cementing - Production Casing		40,000
920-410 Completion Unit - Swabbing		30,000
920-420 Water for Completion		5,000
920-430 Mud & Additives for Completion		1,000
920-440 Cementing - Completion		
920-450 Elec. Logs, Testing, Etc. - Completion		20,000
920-460 Tools & Equip. Rental, Etc. - Completion		50,000
920-470 Stimulation for Completion		100,000
920-480 Supervision & O/H - Completion		1,500
920-490 Additional LOC Charges - Completion		10,000
920-510 Bits, Tools & Supplies - Completion		1,500
920-500 Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS	1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:

930-010 Christmas Tree & Wellhead	5,000	30,000
930-020 Casing 13 3/8" @ 400'	11,000	11,000
9 5/8" @ 1,800'	27,000	27,000
7" @ 8,600'	108,000	108,000
4 1/2" 12,000'		85,500
930-030 Tubing 2 3/8" @ 11,800'		49,000
930-040 Packer & Special Equipment		
940-010 Pumping Equipment		
940-020 Storage Facilities		15,000
940-030 Separation Equip., Flowlines, Misc.		75,000
940-040 Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS	151,000	415,500

TOTAL COSTS **1,341,000** **1,864,500**

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
-----------------------------------	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	

YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	

ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	

MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

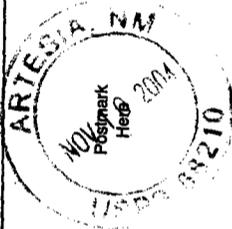
	SHARE
MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	
TOTAL	100.000000%

**U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	6.49
Total Postage & Fees \$	



Sent To Pressley Hudson Guitar
 Street, Apt. No., P.O. box 5383
 or PO Box No.
 City, State, Zip+4 Abilene, TX 79608-5383

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0001 8263 7461

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:

Pressley Hudson Guitar
P.O. box 5383
Abilene, TX 79608-5383

COMPLETE THIS SECTION ON DELIVERY

- A. Signature Agent Addressee
Pressley H. Guitar
- B. Received by (Printed Name) Date of Delivery
Pressley H. Guitar **NOV 12 2004**
- D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) **7002 2030 0001 8263 7461**

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

November 30, 2004

Pressley H. Guitar
P O Box 2365
Big Spring, TX 79721

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mr. Guitar:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Pressley H. Guitar, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Pressley H. Guitar

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Pressley H. Guitar

My commission expires _____
Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____
Notary Public

Producers 88 Rev. (Year Lease) 5-96
No. _____
Oil and Gas Lease
FROM _____
TO _____
Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the _____
day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE



Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	4.42

Sent To **Pressley Hudson-Guitar**

P.O. Box 2365

Street, Apt. No., or PO Box No. **Big Spring, TX 79721**

City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7004 1260 0005 5321 2323

CERTIFIED MAIL

5
PROLEUM
ORPORATION

35 SOUTH FOURTH ST.
MEXICO 88210-2118

ICE REQUESTED



1160 0005 5321 3233

- Not delivered as addressed
- Incorrect address
- Attempted - Not Known
- Attempted - Refused
- No Such Street
- Vacant
- No Mail Recipient
- Box Closed - No Order
- Returned for New Address
- Postage Due
- Illegible
- Number

SUSAN

Pressley H. Guitar
~~P.O. Box 2365~~
Big Spring, TX 79721

P.O. Box 5383
Abilene

FINAL

127
123

1160 0005 5321 3233

7004 1160 0005 5321 3233

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42

Sent To: **Pressley Hudson Guitar**
 P.O. Box 2365
 Street, Apt. No. or PO Box No. **Big Spring, TX 79721**
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions



7004 1160 0005 5321 3721

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

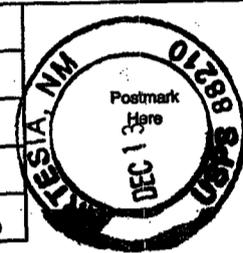
For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.65

Sent To: **Pressley H. Guitar**
 P O Box 5383
 Street, Apt. No. or PO Box No. **Abilene, TX 796088**
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> 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. 	<p>A. Signature <input checked="" type="checkbox"/> <i>Pressley H. Guitar</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Pressley H. Guitar</i> C. Date of Receipt DEC 16 2004</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p>Pressley H. Guitar P O Box 5383 Abilene, TX 796088</p>	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service)</p> <p>7004 1160 0005 5321 3721</p>	<p><i>Guitar</i></p>

Guitar BFL Com #1

Township 25 South, Range 26 East, NMPM

Section 17: N/2

Eddy County, New Mexico

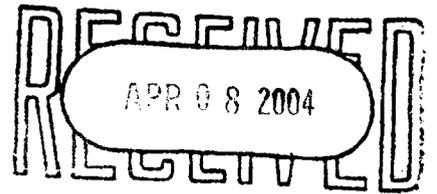
Mineral Owner:

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Net Acres in N/2 Spacing Unit	0.9375
Percent Working Interest in Unit	0.292969%
Previous Lease dated:	11/1/01
Expiration:	10/31/04

Lease Renewal and Correspondence Timeline

3/9/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
4/8/04	Letter of acceptance received as per terms offered.
4/8/04	Lease documents & bank draft sent as per terms accepted in offer letter
5/11/04	No response from sent documents. Sent cover letter with compromise lease form, acceptable to Yates management.
11/1/04	No response from Mr. Witherspoon - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/19/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/3/04	Received certified receipt of final offer letter.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

March 9, 2004

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Witherspoon:

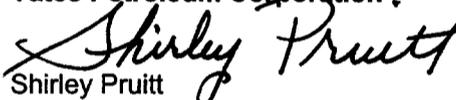
Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 1.5626 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on April 9, 2004.
5. Title acceptable to Yates Petroleum Corporation.

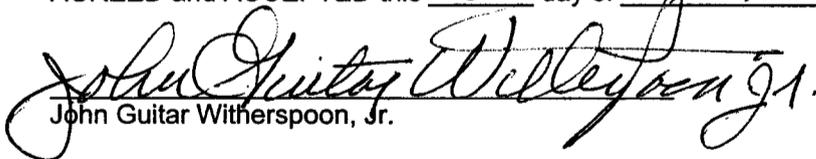
If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

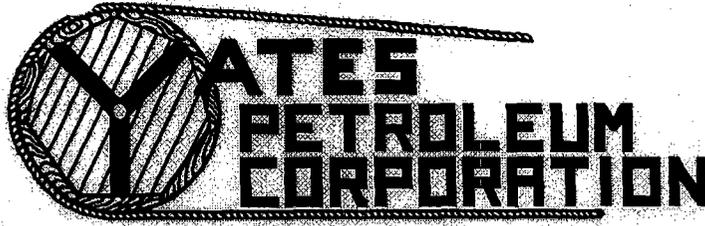
Thank you.

Very truly yours,
Yates Petroleum Corporation .


Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this 5TH day of APRIL, 2004


John Guitar Witherspoon, Jr.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

May 11, 2004

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to my telephone conversation on May 7, 2004 with Mr. Brett Guitar Witherspoon, enclosed please find two (2) copies of Oil and Gas Lease Form 342P. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you in the amount of \$156.26 as full bonus payment of \$100.00 per acre for the 1.5626 net mineral acres owned by you.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Shirley Pruitt'.

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

CUSTOMER'S DRAFT

Courtesy of

THE FIRST NATIONAL BANK

P.O. BOX AA

ARTESIA, NEW MEXICO 88210

Thirty (30) Banking Days From Sight Subject
To Approval Of Title With Lease Attached

ARTESIA, NEW MEXICO _____ April 8, 2004

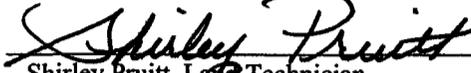
PAY TO THE
ORDER OF _____

John Guitar Witherspoon, dealing in his sole and separate property _____ \$156.25

One Hundred Fifty-six and 25/100-----DOLLARS
VALUE RECEIVED AND CHARGE TO ACCOUNT OF WITH EXCHANGE

TO: First National Bank of Artesia
Artesia, New Mexico 88210
Acct. of Yates Petroleum Corporation

YATES PETROLEUM CORPORATION


Shirley Pruitt, Land Technician

OIL & GAS LEASE

THIS AGREEMENT made this 11th day of May, 2004, but effective November 1, 2004 between John Guitar Witherspoon, Jr., dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

John Guitar Witherspoon, Jr.

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____

County, NM

Term _____
This instrument was filed for record on the
day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF _____

CORPORATE ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

day of _____, 2004, by _____, as

COUNTY OF _____

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 11, 2004, by and between John Guitar Witherspoon, Jr., dealing in his sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

GUITAR BFL COM #1
ADDRESSEE LIST

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/98)

10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original	
<input type="checkbox"/> Revised	
<input type="checkbox"/> Final	
<input type="checkbox"/> Supplemental	

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500

TOTAL COSTS **1,341,000** **1,864,500**

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	SV Jeremiah Mullen	Operations Approval
-------------	--------------------	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	

YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	

ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	

MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

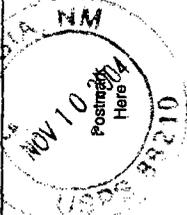
100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 10.49



Sent To
 John Guitar Witherspoon, Jr.
 Street, Apt. No., or PO Box No. 7404 Lemonwood Drive
 City, State, ZIP+4 Fort Worth, TX 76133-7012

PS Form 3800, June 2002 See Reverse for Instructions

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:

 John Guitar Witherspoon, Jr.
 7404 Lemonwood Drive
 Fort Worth, TX 76133-7012

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
John Guitar Witherspoon Addressee

B. Received by Printed Name Date of Delivery
John Guitar Witherspoon 11/19/04

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

3. Service Type Express Mail
 Certified Mail Return Receipt for Merchandise
 Registered Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7002 2030 0001 8263 7508

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mr. Witherspoon:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North ½ of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a ¼ royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between John Guitar Witherspoon, Jr., dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

John Guitar Witherspoon, Jr.

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by John Guitar Witherspoon, Jr.

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____
No. Acres _____
Term _____
County, NM _____
This instrument was filed for record on the
_____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mineral Owner:

Brett Guitar Witherspoon
P O Box 100635
Fort Worth, TX 76185

Net Acres in N/2 Spacing Unit 0.9375
Percent Working Interest in Unit 0.292969%
Previous Lease dated: 11/1/01
Expiration: 10/31/04

Lease Renewal and Correspondence Timeline

3/9/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
5/7/04	Phone conversation with Shirley Pruitt concerning lease terms. Additional provisions added to lease form.
5/11/04	Compromise lease form with amendments sent.
Undated	Compromise lease form returned with many more revisions and amendments. Lease form reviewed by supervisors from land, accounting, and marketing departments. Lease form unacceptable to Yates management.
9/3/04	Phone conversation with Shirley Pruitt - negotiations to agree on a lease form acceptable to both Mr. Guitar and Yates management.
9/23/04	Second compromised lease form sent.
11/5/04	Letter of explanation sent, concerning the terms of Mr. Guitar lease not acceptable to Yates management.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/16/04	Received certified receipt of sent AFE.
11/24/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

March 9, 2004

Brett Guitar Witherspoon
P. O. Box 100635
Fort Worth, TX 76185

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Witherspoon:

Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 1.5626 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on April 9, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

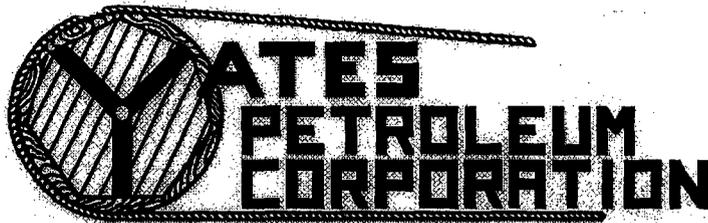
Thank you.

Very truly yours,
Yates Petroleum Corporation

A handwritten signature in cursive script that reads 'Shirley Pruitt'.
Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this _____ day of _____, 2004

Brett Guitar Witherspoon



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

May 11, 2004

Brett Guitar Witherspoon
P. O. Box 100635
Fort Worth, TX 76185

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to our telephone conversation on May 7, 2004, enclosed please find two (2) copies of Oil and Gas Lease Form 342P. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you in the amount of \$156.26 as full bonus payment of \$100.00 per acre for the 1.5626 net mineral acres owned by you.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 11th day of May, 2004, but effective November 1, 2004 between **Brett Guitar Witherspoon, dealing in his sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%**, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Brett Guitar Witherspoon

Shirley Pruitt

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____

No. Acres _____ County, NM

Term _____

This instrument was filed for record on the
day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____

by _____

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____ day of _____, 2004, by _____, as _____

COUNTY OF _____

) ss. _____

STATE OF _____

CORPORATE ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

This instrument was acknowledged before me this _____ day of _____, 2004, by _____, as _____
Brett Guitar Witherspoon, dealing in his sole and separate property

COUNTY OF _____

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 11, 2004, by and between Brett Guitar Witherspoon, dealing in his sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.

THIS AGREEMENT made this 16th day of February, 2004, but Effective September 21, 2004, between James M. Alexander, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND MYCO INDUSTRIES, INC.-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2

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.

~~3. The royalties to be paid by Lessee are: (a) on oil, $\frac{1}{4}$ 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of $\frac{1}{4}$ of the gas so sold or used, provided that on gas sold at the wells the royalty shall be $\frac{1}{4}$ of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Articles 11 through 12 of this Oil and Gas Lease are included in Exhibit A.

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

James M. Alexander

Producers 88 Rev. (Year Lease) 5-96

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 20____

No. Acres _____ County, NM

Term _____

This instrument was filed for record on the
day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk _____

By _____, Deputy

When recorded return to

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

My commission expires _____

Notary Public _____

By _____

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF _____

) ss. _____

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

My commission expires _____

Notary Public _____

of the _____

by _____ as _____

This instrument was acknowledged before me this _____ day of _____, 2004.

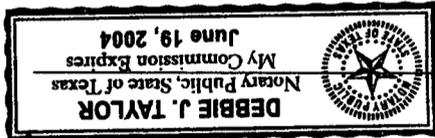
COUNTY OF _____

) ss. _____

STATE OF _____

ACKNOWLEDGMENT

My commission expires _____



Debbie J. Taylor
Notary Public

By: James M. Alexander, dealing in his sole and separate property

This instrument was acknowledged before me this _____ day of _____, 2004.

COUNTY OF Taylor

) ss. _____

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

EXHIBIT A

Exhibit A to that certain Oil and Gas Lease covering T25S R26E, Sec 17, NW4NE4, E2E2, Eddy County, New Mexico.

11. Subject to the right of election reserved to Lessor to take its share of production in kind, the royalties to be paid by Lessee are twenty-five percent (25%) of eight-eighths (8/8ths) of: (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well and (b) the market value of gas produced from the Leased Premises determined as follows: (i) at the well for gas sold at the well, (ii) at the point of sale for gas sold or used off the Leased Premises or (iii) on gas delivered to a processing plant, the market value at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on oil, gas and related hydrocarbons, the royalty shall never be less than twenty-five percent (25%) of the gross amount realized by Lessee from such sale. Royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have free use of oil and gas from said land for operations on the Leased Premises, and the royalty on oil and gas shall be computed after deducting any production so used. The royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including but not limited to, costs of marketing, dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons.

If there is a gas well on the Leased Premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the Leased Premises or on land pooled therewith sufficient to maintain this Lease in full force and effect, this Lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this Lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to Five Dollars (\$5.00) per net acre covered by this Lease which payment shall be made to Lessor at P.O. Box 58, Abilene, Texas 79604, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the Leased Premises under all the terms and provisions of this Lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this Lease may not be maintained by shut-in payments more than two (2) (cumulative) years after the end of the primary term. Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well.

12. Notwithstanding any other provisions hereof at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to Lessor, unless Lessee is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and commencement of another. "Completion" shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the Leased premises or on lands pooled therewith.

A handwritten signature in black ink, appearing to be "S. J. [unclear]", is written over the bottom right portion of the text.

Tom and J.B.:

Chuck asked me to send this lease to each of you. Please review the first paragraph of Item 11 under Exhibit A to see if we can live with this clause. Tom, please give your opinion and send to J.B. in marketing. J.B., please give your opinion and return Tuesday if possible, to Susan Vierra in the Land Dept. Thank you, Shirley

Tom Krawchak ✓

J.B. ✓

See Comments

Susan,

The revenue distribution system can accommodate the language in the first paragraph of item 11. I am confused as to whether gas royalties are based on gross proceeds or not. The last sentence in the first paragraph of item 11 does not exclude transportation or processing deductions. Also paragraph 4 allows the same deductions as royalties due the United States. However item 11 also states "...royalty shall never be less than twenty-five percent of the gross amount realized by Lessee...". Please interpret for me...thanks,

Tom Knecht

I agree with Tom. Paragraph 1 of Item 11 is contradictory and ambiguous. Need new language.

JBS.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 5, 2004

Brett Guitar Witherspoon
P O Box 100635
Fort Worth, TX 76185

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to our previous telephone conversation and in reference to letter dated September 23, 2004 from Shirey Pruitt, concerning the renewal of your minerals in the above captioned acreage, the following items are unacceptable to Yates management.

Yates Petroleum Corporation, etal had accepted lease terms as negotiated containing:

- 1) Standard Yates Petroleum Corporation lease form: 342P, Paid-up
 - Three (3) year term
 - $\frac{1}{4}$ royalty
 - \$100.00 net acre bonus consideration
- 2) Two year shut-in (two consecutive years)
- 3) Pugh clause, at the end of the primary term, acreage not included within prorated spacing unit would expire, And minerals rights below the deepest producing horizon would expire.
- 4) Royalty shall be delivered free of all costs of transportation, compression, processing, Treatment, purification, dehydration, separation, stabilization, manufacturing, measuring, or marketing.

Your counter offer was unacceptable because:

- 1) A one-year shut-in (as proposed by Marilyn Galusha) was unacceptable with Yates Petroleum Corporation management.
- 2) A two-year cumulative shut-in was unacceptable.
- 3) Language concerning Royalty payments was unacceptable (please refer to letter dated September 23, 2004).

Land Technician, Shirley Pruitt has tried for several months to negotiate and resolve the lease requirements of the Guitar family members in a manner that would also be acceptable with the management of Yates Petroleum Corporation. In your case, lease negotiations began on March 9, 2004 and as of November 2004 a compromise has not been reached.

Should you wish to further pursue the renewal of your lease or if you should have any questions, I can be reached at 505-748-4400.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 23, 2004

Brett Guitar Witherspoon
P. O. Box 100635
Fort Worth, TX 76185

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

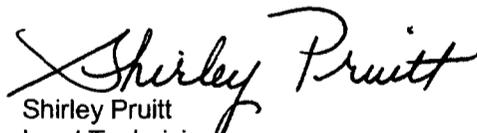
Pursuant to our telephone conversation of September 3, 2004, Yates Petroleum Corporation would like to work with you to compile a lease form acceptable to the Guitar family members and our corporation.

Our objection to the counter-offer of Marilyn Galusha is the one-year shut-in. The current lease form provides for a two-year shut-in and amending to one-year is not reasonable. This is a wildcat area and there is no existing infrastructure. If we decide to drill, it could easily take over one year just to get pipeline in to the area.

Concerning James Alexander's counter-offer, we have reviewed amended Paragraph 11 to Exhibit A and discussed it with the other two departments affected, accounting and marketing. The first paragraph in Paragraph 11 appears to be ambiguous and contradictory to other paragraphs in the lease. Paragraph 4 allows the same deductions as royalties due the United States. However, item 11 also states "royalty shall never be less than twenty-five percent of the gross amount realized by Lessee...." The language is confusing and needs clarification. For your information, the Yates believe in paying royalty owners on the same basis as they get paid. As to the second paragraph of Paragraph 11, we will agree to \$5.00 per net acre shut-in. However, we will require amending "this Lease may not be maintained by shut-in payments more than two (2) cumulative years" to consecutive years. Please consider striking the last sentence of Item 11. In Item 12, we request amending from "below the deepest producing horizon" to "below the deepest depth drilled". We believe it is fair to let us keep all the formations we drill and then determine the most viable order to produce the well.

May we hear from you soon concerning this matter? If you have questions, please call me at (505) 748-4356.

Very truly yours,
YATES PETROLEUM CORPORATION


Shirley Pruitt
Land Technician

/s



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 04-542-0
AFE DATE 10/29/04

AFEND (REV 6/98)
10-29-04

AFE Type:

<input checked="" type="checkbox"/>	New Drilling
<input type="checkbox"/>	Recompletion
<input type="checkbox"/>	Re-entry

Well Objective:

<input checked="" type="checkbox"/>	Oil
<input checked="" type="checkbox"/>	Gas
<input type="checkbox"/>	Injector

Well Type:

<input checked="" type="checkbox"/>	Development
<input type="checkbox"/>	Exploratory

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME
COUNTY
FIELD
LOCATION

Guitar BFL Com. #1
Eddy
Section 17 T25S-R26E, 990' N & 1980' E

PROJ'D DEPTH
STATE
HORIZON

12,000'
New Mexico
Morrow

DIVISION CODE
DISTRICT CODE
BRANCH CODE

100

DIVISION NAME
DISTRICT NAME
BRANCH NAME

Oil & Gas Division

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:

DRY HOLE COMP'D WELL

920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500

TOTAL COSTS

1,341,000	1,864,500
------------------	------------------

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
-----------------------------------	------------------------

YATES PETROLEUM CORPORATION
BY: _____ DATE: _____

20.551875%

YATES DRILLING COMPANY
BY: _____ DATE: _____

10.793125%

ABO PETROLEUM CORPORATION
BY: _____ DATE: _____

10.793125%

MYCO INDUSTRIES, INC.
BY: _____ DATE: _____

10.793125%

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

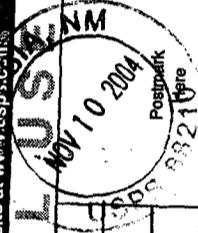
	SHARE
MURCHISON OIL & GAS, INC. BY: _____ DATE _____	37.500000%
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE BY: _____ DATE _____	2.343750%
JAMES M. ALEXANDER & JERRI ALEXANDER BY: _____ DATE _____ BY: _____ DATE _____	0.781250%
MARTHA JANE ALEXANDER RHODES BY: _____ DATE _____	0.781250%
JERI ALEXANDER LOTT BY: _____ DATE _____	0.781250%
JAMES KELLY POLK BY: _____ DATE _____	0.781250%
RUTH ANN POLK CAUDLE BY: _____ DATE _____	0.781250%
JANIS LEE POLK HARBOUR BY: _____ DATE _____	0.781250%
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE BY: _____ DATE _____	0.584375%
PRESSLEY HUDSON GUITAR BY: _____ DATE _____	0.584375%
JOHN GUITAR WITHERSPOON, JR. BY: _____ DATE _____	0.293750%
BRETT GUITAR WITHERSPOON BY: _____ DATE _____	0.293750%
WENDE WITHERSPOON MORGAN BY: _____ DATE _____	0.293750%
WHITTEN GUITAR WITHERSPOON BY: _____ DATE _____	0.293750%
KELLY WOODS LEACH BY: _____ DATE _____	0.193750%
TOTAL	100.000000%

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	6.44



Sent To **Brett Guitar Witherspoon**
 Street, Apt. No., P.O. Box 100635
 or PO Box No.
 City, State, ZIP, Fort Worth, TX 76185

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0001 6263 7423

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:

Brett Guitar Witherspoon
 P.O. Box 100635
 Fort Worth, TX 76185

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee

B. Received by (Printed Name) **Brett Witherspoon** C. Date of Delivery **11/10/04**

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

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
(Transfer from service label) **7002 2030 0001 6263 7423**

PS Form 3811, February 2004 Domestic Return Receipt 109899-02-M-1549

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 24, 2004

Brett Guitar Witherspoon
P O Box 100635
Fort Worth, TX 76185

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Enclosed please find a copy of the letter sent to you on November 5, 2004. I apologize that you have never received this correspondence. Also enclosed you will find a letter dated September 23, 2004 from Shirley Pruitt, which explains in detail the reasons Yates Petroleum Corporation could not accept your counter lease terms.

At this point in time all previous offers have expired and further negotiations are off the table. Enclosed is our standard lease form. This lease, should you choose to lease your mineral interest, rather than participate in the drilling of the Guitar BFL Com #1, is non-negotiable.

We are asking that you either return this executed lease, as is, or return the executed AFE and Operating Agreement signature pages to participate in the drilling of the Guitar BFL Com #1, in order to avoid a force-pooling situation.

Thank you for your consideration.

Should you have any questions, I can be reached at 505-748-4400.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a stylized flourish at the end.

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 24th day of November 2004, and Effective November 24, 2004, between Brett Guitar Witherspoon, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Brett Guitar Witherspoon

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2003,
by Brett Guitar Witherspoon

My commission expires _____
Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2003,
by _____ as _____
of the _____

My commission expires _____
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2003,
By _____

My commission expires _____
Notary Public

Producers 88 Rev. (Year Lease) 5-96
No. _____
Oil and Gas
Lease
FROM

TO

Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the
_____ day of _____, 20____
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy

When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Guitar BFL Com #1

Township 25 South, Range 26 East, NMPM

Section 17: N/2

Eddy County, New Mexico

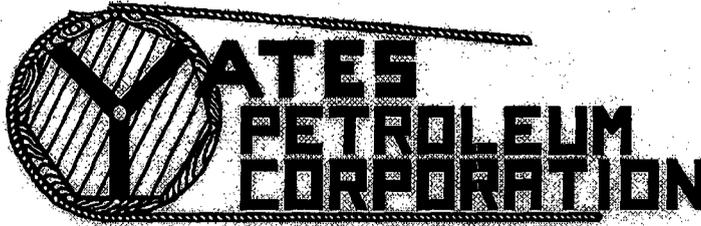
Mineral Owner:

Wende Guitar Witherspoon Morgan
1720 Southwicke
Flower Mount, TX 75022

Net Acres in N/2 Spacing Unit 0.9375
Percent Working Interest in Unit 0.292969%
Previous Lease dated: 11/1/01
Expiration: 10/31/04

Lease Renewal and Correspondence Timeline

5/7/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
11/1/04	No response from Ms. Morgan - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/17/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/6/04	Received certified receipt of final offer letter.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

May 11, 2004

Wende Witherspoon Morgan
1720 Southwicke
Flower Mount, TX 75022

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Ms. Morgan:

Pursuant to my telephone conversation on May 7, 2004 with Mr. Brett Guitar Witherspoon, enclosed please find two (2) copies of Oil and Gas Lease Form 342P. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you in the amount of \$156.26 as full bonus payment of \$100.00 per acre for the 1.5626 net mineral acres owned by you.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Shirley Pruitt'.

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 11th day of May, 2004, but effective November 1, 2004 between **Wende Witherspoon Morgan, dealing in her sole and separate property**, as Lessor (whether one or more), and **YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%**, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Wende Witherspoon Morgan

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 11, 2004, by and between Wende Witherspoon Morgan, dealing in her sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra'. The signature is written in a cursive style with a long horizontal line extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (rev 6/98)

10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/> Original	
<input type="checkbox"/> Revised	
<input type="checkbox"/> Final	
<input type="checkbox"/> Supplemental	

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500

TOTAL COSTS **1,341,000** **1,864,500**

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By SV Jeremiah Mullen	Operations Approval
--	---------------------

YATES PETROLEUM CORPORATION	20.551875%
BY _____ DATE _____	
YATES DRILLING COMPANY	10.793125%
BY _____ DATE _____	
ABO PETROLEUM CORPORATION	10.793125%
BY _____ DATE _____	
MYCO INDUSTRIES, INC.	10.793125%
BY _____ DATE _____	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

SHARE

MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	

TOTAL

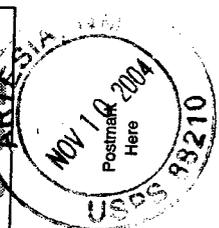
100.000000%

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	0.49
Total Postage & Fees \$	



Sent To Wende Witherspoon Morgan
 Street, Apt. No., or PO Box No. 1720 Southwicke
 City, State, ZIP+4 Flower Mound, TX 75022

PS Form 3800, June 2002 See Reverse for Instructions

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:

Wende Witherspoon Morgan
 1720 Southwicke
 Flower Mound, TX 75022

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
Wende Witherspoon Morgan Addressee
 Received by (Printed Name) WENDE W. MORGAN 11-17-04 C. Date of Delivery
 Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: No Yes

Guiden

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

2. Article Number
 (Transfer from service label) 7002 2030 0001 8263 7492
 PS Form 3811, February 2004 Domestic Return Receipt
 102595-02-M-1540

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

Wende Witherspoon Morgan
1720 Southwicke
Flower Mount, TX 75022

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Ms. Morgan:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Wende Witherspoon Morgan, dealing in her sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Wende Witherspoon Morgan

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Wende Witherspoon Morgan

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

No. _____
Oil and Gas
Lease
FROM

TO

Dated _____, 20____
No. Acres _____
Term _____
County, NM _____

This instrument was filed for record on the
_____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy

When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42



Sent To Wende Witherspoon-Morgan
1720 Southwicke
Street, Apt. 107 Flower Mound, TX 75022
or PO Box No. _____
City, State, Zip+4 _____

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

Complete items 1 through 5, as applicable. If Restricted Delivery is desired, return to the sender. See reverse for details. If you have a return address, please provide it. If you are mailing a package, please provide the space permits.

COMPLETE THIS SECTION ON DELIVERY

1. Name of addressee
2. Address of addressee
3. City, State, Zip+4
4. Name of addressee (if different from 1)
5. Name of addressee (if different from 1)

7004 1160 0005 5321 3226

U.S. Postal Service™ Domestic Return Receipt

7004 1160 0005 5321 3226

Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM

Section 17: N/2
Eddy County, New Mexico

Mineral Owner:

Whitten Guitar Witherspoon
4508 Tall Meadow Lane
Fort Worth, TX 76133

Net Acres in N/2 Spacing Unit 0.9375
Percent Working Interest in Unit 0.292969%
Previous Lease dated: 11/1/01
Expiration: 10/31/04

Lease Renewal and Correspondence Timeline

3/9/04	Offer letter sent to renew previous lease: Terms: 3-year term \$100.00 bonus / acre 1/4 royalty
5/7/04	Phone conversation requesting revised lease form.
5/11/04	Revised lease documents sent.
11/1/04	No response from Mr. Witherspoon - lease expired.
11/10/04	Sent AFE to participate in the drilling of the Guitar BFL Com #1.
11/15/04	Received certified receipt of sent AFE.
11/30/04	Final offer sent: Option 1: Sign AFE to participate in drilling of well Option 2: Enclosed Yates lease form (no modifications) 3-year term \$100.00 bonus / acre 1/4 royalty
12/13/04	Received certified receipt of Final offer letter.



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

March 9, 2004

Whitten Guitar Witherspoon
4508 Tall Meadow Lane
Fort Worth, TX 76133

RE: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Eddy County, New Mexico

Mr. Witherspoon:

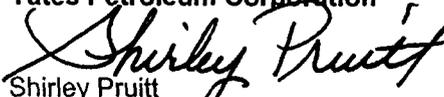
Yates Petroleum Corporation would like to extend an offer to re-new your lease in the captioned acreage, subject to the following terms:

1. A Paid-up Three (3) Year Oil and Gas Lease;
2. A bonus consideration of \$100.00 per acre for the 1.5626 net mineral acres;
3. A royalty reservation of 1/4th of 8/8ths on all oil and gas produced from the leased lands;
4. Offer will expire at office closing on April 9, 2004.
5. Title acceptable to Yates Petroleum Corporation.

If the above meets with your approval, please execute below and return to this office at your earliest convenience. If you have any questions regarding this matter, please call me at (505) 748-4356.

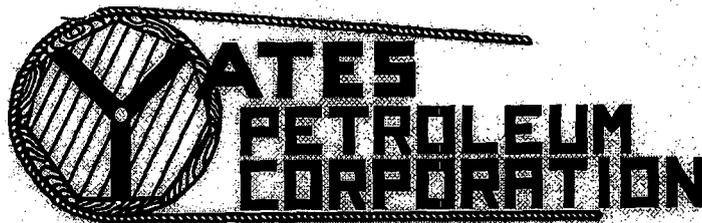
Thank you.

Very truly yours,
Yates Petroleum Corporation


Shirley Pruitt
Land Technician

/sp
AGREED and ACCEPTED this _____ day of _____, 2004

Whitten Guitar Witherspoon



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

May 11, 2004

Whitten Guitar Witherspoon
4508 Tall Meadow Lane
Fort Worth, TX 7613322

Re: Oil & Gas Lease
Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200 acres, more or less
Eddy County, New Mexico

Mr. Witherspoon:

Pursuant to my telephone conversation on May 7, 2004 with Mr. Brett Guitar Witherspoon, enclosed please find two (2) copies of Oil and Gas Lease Form 342P. If the enclosed meets with your approval, please execute the lease before a notary public and return to this office. Upon receipt of the properly executed and notarized lease, we will issue a direct check to you in the amount of \$156.26 as full bonus payment of \$100.00 per acre for the 1.5626 net mineral acres owned by you.

If you have any questions, please call me at (505) 748-4356. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Shirley Pruitt'.

Shirley Pruitt
Land Technician

/sp
Enclosure(s)

OIL & GAS LEASE

THIS AGREEMENT made this 11th day of May, 2004, but effective November 1, 2004 between Whitten Guitar Witherspoon, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% and MYCO INDUSTRIES, INC.-10%, as 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 Eddy County, New Mexico, to-wit:

Township 25 South, Range 26 East, N.M.P.M.
Section 17: NW/4NE/4, E/2E/2

Said land is estimated to comprise 200.00 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 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, 1/4th 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 1/4th of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 1/4th 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 so 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 or 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 lessee'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) then 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 therein, if any, covered by this lease, bears to the whole and undivided 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.

Articles 12, 13 and 14 of this Oil and Gas Lease are attached as Exhibit "A".

Executed the day and year first above written.

Whitten Guitar Witherspoon

Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated May 11, 2004, by and between Whitten Guitar Witherspoon, dealing in his sole and separate property, as Lessor, and Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., as lessee, covering lands in Eddy County, New Mexico.

12. Notwithstanding anything else to the contrary herein, payment of shut-in gas well royalties will not be permitted to maintain this Lease in force for a period greater than two consecutive years beyond the primary term, at which time this Lease shall automatically terminate.

13. Notwithstanding any other provisions hereof, at the end of the primary term, all acreage not included in a proration unit as designated by the New Mexico Oil Conservation Division and all depths 100 feet below the deepest producing horizon shall be automatically eliminated from this Lease and revert to LESSOR, unless LESSEE is drilling a well on the leased premises or on lands pooled therewith, in which event the Lease will be held in its entirety as long as not more than one hundred twenty (120) days elapse between the completion of one well and the commencement of another. Completion shall be defined as (1) the date on which a dry hole is plugged or (2) the date certified to the New Mexico Oil Conservation Division as the date a well has been completed as a producing well, whichever be appropriate. "Commencement" shall be defined as the date drilling operations are commenced on the leased premises or on lands pooled therewith.

14. As an addition to the terms hereof, it is expressly agreed that all royalty to be paid hereunder shall be delivered to LESSOR free of all costs of transportation, compression, processing, treatment, purification, dehydration, separation, stabilization, manufacturing, measuring or marketing the oil, gas or hydrocarbons covered by this lease.



105 South Fourth Street
Artesia, NM 88210

November 10, 2004

Working Interest Owners
Addressee List Attached

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: **Guitar BFL Com #1 well**
Township 25 South, Range 26 East, NMPM
Section 17: 990' FNL & 1980' FEL
Eddy County, New Mexico

Ladies and Gentlemen:

Yates Petroleum Corporation, as operator, proposes to drill the captioned well pursuant to the prognosis on the Authority for Expenditure (AFE) and invites you to participate.

Enclosed, please find two (2) copies of an AFE and one (1) copy of the Joint Operating Agreement (JOA) with one (1) additional signature page, covering the N/2 of Section 17.

If the AFE and JOA meet with your approval, please sign and return one (1) executed copy of the AFE and the executed and notarized signature page of the JOA to our office.

This well is on an accelerated scheduling and we request your immediate attention.

Should you have any questions, please do not hesitate contacting me at 505-748-4400.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink that reads 'Susan Vierra' with a long horizontal flourish extending to the right.

Susan Vierra
Associate Landman

SV/am
Enclosure(s)

**GUITAR BFL COM #1
ADDRESSEE LIST**

Yates Petroleum Corporation, et al
Attn: Susan Vierra
105 South Fourth Street
Artesia, NM 88210

Murchison Oil & Gas, Inc. *GL*
1100 Mira Vista Blvd.
Plano, TX 75093-4698

Anita Grissom Guitar *GL*
P.O. box 744
Abilene, TX 79605

James M. & Jerri Alexander *GL*
P.O. Box 58
Abilene, TX 79604

Martha Jane Alexander Rhodes
P.O. Box 58
Abilene, TX 79604

James Kelly Polk *GL*
12 Augusta
Abilene, TX 79604

Janis Lee Polk Harbour
4400 Arcady
Dallas, TX 75202

Pressley Hudson Guitar *GL*
P.O. box 5383
Abilene, TX 79608-5383

Brett Guitar Witherspoon *GL*
P.O. Box 100635
Fort Worth, TX 76185

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

Jeri Alexander Lott *GL*
9102 Vicksburg Ave., #17
Lubbock, TX 79356

Ruth Ann Polk Caudle
5616 Preston Fairway
Dallas, TX 75252

Marilyn Guitar Galusha *GL*
P.O. Box 1438
Abilene, TX 79604

John Guitar Witherspoon, Jr.
7404 Lemonwood Drive
Fort Worth, TX 76133-7012

Wende Witherspoon Morgan
1720 Southwicke
Flower Mound, TX 75022

Kelly Woods Leach
312 Greatview Circle
Birmingham, AL 35226-2320



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **04-542-0**
AFE DATE **10/29/04**

AFEND (REV 8/98)
10-29-04

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME	Guitar BFL Com. #1	PROJ'D DEPTH	12,000'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 17 T25S-R26E, 990' N & 1980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 12,000' to test all formations**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	35,000	35,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 50 days @ \$11,300/day + \$45K for mob	647,000	647,000
920-140	Drilling Water, Fasline Rental	35,000	35,000
920-150	Drilling Mud & Additives	45,000	45,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing & deep intermediate	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	125,000	125,000
920-205	Control of Well-Insurance	5,000	5,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	80,000	80,000
920-350	Cementing - Production Casing		40,000
920-410	Completion Unit - Swabbing		30,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		1,500
920-490	Additional LOC Charges - Completion		10,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,190,000	1,449,000

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 400'	11,000	11,000
	9 5/8" @ 1,800'	27,000	27,000
	7" @ 8,600'	108,000	108,000
	4 1/2" 12,000'		85,500
930-030	Tubing 2 3/8" @ 11,800'		49,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		75,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		151,000	415,500
TOTAL COSTS		1,341,000	1,864,500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By	SV Jeremiah Mullen	Operations Approval	
-------------	--------------------	---------------------	--

YATES PETROLEUM CORPORATION		20.551875%
BY	DATE	
YATES DRILLING COMPANY		10.793125%
BY	DATE	
ABO PETROLEUM CORPORATION		10.793125%
BY	DATE	
MYCO INDUSTRIES, INC.		10.793125%
BY	DATE	

GUITAR BFL COM #1
 T25S-R26E- SECTION 17
 990' FNL & 1980' FEL
 EDDY COUNTY, NEW MEXICO

AFE # 04-542-0
 DATE: 11/8/04
 Page 2

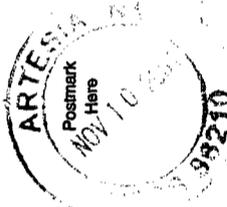
	SHARE
MURCHISON OIL & GAS, INC.	37.500000%
BY: _____ DATE _____	
EARL B. GUITAR, SR. & ANITA GRISSOM GUITAR, REVOCABLE LIVING TRUST, ANITA GRISSOM GUITAR, SOLE TRUSTEE	2.343750%
BY: _____ DATE _____	
JAMES M. ALEXANDER & JERRI ALEXANDER	0.781250%
BY: _____ DATE _____	
BY: _____ DATE _____	
MARTHA JANE ALEXANDER RHODES	0.781250%
BY: _____ DATE _____	
JERI ALEXANDER LOTT	0.781250%
BY: _____ DATE _____	
JAMES KELLY POLK	0.781250%
BY: _____ DATE _____	
RUTH ANN POLK CAUDLE	0.781250%
BY: _____ DATE _____	
JANIS LEE POLK HARBOUR	0.781250%
BY: _____ DATE _____	
MARILYN GUITAR GALUSHA TRUST, MARILYN GUITAR GALUSHA, TRUSTEE	0.584375%
BY: _____ DATE _____	
PRESSLEY HUDSON GUITAR	0.584375%
BY: _____ DATE _____	
JOHN GUITAR WITHERSPOON, JR.	0.293750%
BY: _____ DATE _____	
BRETT GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
WENDE WITHERSPOON MORGAN	0.293750%
BY: _____ DATE _____	
WHITTEN GUITAR WITHERSPOON	0.293750%
BY: _____ DATE _____	
KELLY WOODS LEACH	0.193750%
BY: _____ DATE _____	
TOTAL	100.000000%

**U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	0.44
Total Postage & Fees \$	0.44



Sent To **Whitten Guitar Witherspoon**
 Street, Apt. No.; **3833 Arroyo Road**
 or PO Box No. **Fort Worth, TX 76109**
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0001 8263 7454

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:

Whitten Guitar Witherspoon
3833 Arroyo Road
Fort Worth, TX 76109

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
Whitten Witherspoon
 B. Received by (Printed Name) Date of Delivery
 C. Is delivery address different from item 1? Yes No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label) **7002 2030 0001 8263 7454**
 PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 30, 2004

Whitten Guitar Witherspoon
4508 Tall Meadow Lane
Fort Worth, TX 76133

RE: Guitar BFL Com #1
Township 25 South, Range 26 East, NMPM
Section 17: N/2
Eddy County, New Mexico

Mr. Witherspoon:

I have had several phone calls from many family members concerning either 1) lease options for mineral rights in the above captioned acreage or 2) participation in the drilling of the Guitar BFL Com #1.

You have been sent an AFE to participate in the drilling of the Guitar well as an unleased mineral owner. Also included with the AFE was the operating agreement covering the 320-acre spacing unit in the North 1/2 of section 17.

Since the receipt of the AFE and Operating Agreement, I have had several phone calls to discuss the possibility to lease your minerals rather than taking a working interest in this well. The renewal period has expired for your previous leases; therefore all previous negotiations are off the table.

Enclosed please find Yates Petroleum Corporation standard three (3) year paid up lease form, containing a 1/4 royalty for your net mineral acre interest. Should you elect to execute this lease, as is, you will receive the \$100.00 per net acre bonus upon our receipt. The terms and conditions of the lease are not negotiable, as Yates Petroleum Corporation will be proceeding with the drilling of the Guitar well immediately.

Please return either the executed lease form, as is, or the executed AFE and Operating Agreement at your earliest convenience, as to avoid a force-pooling situation.

Should you have any questions, I can be reached at 505-748-4400.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

Susan Vierra
Associate Landman

/sv
Enclosure(s)

THIS AGREEMENT made this 30th day of November, 2004, and Effective November 30, 2004, between Whitten Guitar Witherspoon, dealing in his sole and separate property, as Lessor (whether one or more), and YATES PETROLEUM CORPORATION-70%; YATES DRILLING COMPANY-10%, ABO PETROLEUM CORPORATION-10% AND SHARBRO OIL LIMITED COMPANY-10%, as Lessee, WITNESSETH:

1. Lessors 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:

Township 25 South, Range 26 East, NMPM
Section 17: NW/4NE/4, E/2E/2
Containing 200.00 acres, more or less

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.

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 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 therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casing head 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 there from, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on 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 and 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 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 terms, 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 and 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 pipelines 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 there from 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.

Whitten Guitar Witherspoon

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by Whitten Guitar Witherspoon

My commission expires _____

Notary Public

ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
by _____ as _____
for _____

My commission expires _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 2004,
By _____

My commission expires _____

Notary Public

Producers 88 Rev. (Year Lease) 5-96

Oil and Gas
Lease
FROM

TO

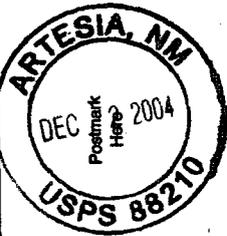
Dated _____, 20____
No. Acres _____ County, NM
Term _____
This instrument was filed for record on the
_____ day of _____, 20____,
at _____ o'clock _____ M., and duly
recorded in Book _____, Page _____
of the _____ records of this office.

County Clerk
By _____, Deputy
When recorded return to
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

**U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT**
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE



Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	4.12

Sent To Whitten Guitar Witherspoon
 4508 Tall Meadow Lane
 Fort Worth, TX 76133
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

7004 1160 0005 5321 3141

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 shipping permits.

1. Article Addressed to



2. Article Number (Transfer from service label)

7004 1160 0005 5321 3141

PS Form 3811 February 2004

Domestic Return Receipt

102595-02-M-1049

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 B. Received by (Printed Name) Addressee
WHITTEN WITHERSPOON
 C. Date of Delivery
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

12-15-04

3. Service Type

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

4. Restricted Delivery? (Extra Fee)

Yes No