

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 24th day of May, 2005, between Phillip Billau 5851 Anderson SE, Apt. 7 Albuquerque, NM 87108

Lessor (whether one or more), and Lessee, WITNESSETH: OXY USA, Inc., P.O. Box 4294, Houston, TX 77210-4294

1. Lessor in consideration of Ten and no/100 Dollars (\$ 10.00) in hand paid... hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, other hydrocarbons and, without restriction to such enumerated minerals, all other minerals whether similar or dissimilar to those particularly specified herein...

LESSOR DOES NOT WARRANT TITLE IN ANY WAY

Southwest Quarter of the Northwest Quarter (SW/4 NW/4)

of Section 19 Township 19-North Range 33-East

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all lands owned or claimed by Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas, other hydrocarbons and all other minerals underlying lakes, rivers, streams, roads, easements and rights-of-way which traverse or adjoin any of said lands.

2. Subject to the other provisions herein contained, this lease shall be for a term of 10 years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. The royalties to be paid by Lessee are: (a) on oil, either one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected, or at the Lessee's option, Lessee may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline or into storage tanks; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold on or off the premises, one-eighth of the net proceeds at the well received from the sale thereof, provided that no gas used off the premises or by Lessee in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so used; and (c) on all other minerals mined and marketed, one-tenth either in kind or in value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty cents (\$0.50) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any such use.

4. If operations for drilling are not commenced on said land as hereinafter provided, on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in

Bank of (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals either by conveyance or by the death or incapacity of Lessor) the sum of Forty and no/100 Dollars (\$ 40.00)

in like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment of rental herein referred to may be made in currency, draft, check, or by electronic funds transfer at the option of the Lessee; and the deposit of such currency, draft or check, properly addressed to the Lessor or said bank, in any post office, or the electronic transfer of said funds to said bank on or before the rental payment date, shall be deemed payment as herein provided.

5. Should any well drilled on the above described land or on acreage pooled therewith during the primary term before production is obtained be a dry hole, or should production on said land or on acreage pooled therewith be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land or on acreage pooled therewith on or before the first rental paying date next succeeding the completion of a dry hole or the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 4 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments.

6. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more states, and units so formed 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

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 13520 Exhibit No. 3 Submitted by: OXY USA INC. Hearing Date: July 14, 2005

portions thereof into other units. Lessee shall execute in writing and place of record on an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

7. Lessee also shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement, in the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligations as to the acreage surrendered. 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 (200) feet of any residence or barn now on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee.

11. If, during the term of this lease, oil or gas or other hydrocarbons or other mineral is discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas, or other hydrocarbons, or other mineral and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

12. 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 rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

(Notwithstanding any provision of this lease apparently to the contrary, the term "gas" as used herein shall be construed to cover and include carbon dioxide gas and helium gas as well as gas of the hydrocarbon kind.)

This agreement shall be binding on each of the above named parties who execute the same, regardless of whether it is executed by any of the other parties.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns.

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

Witness of Signatures

*Phillip Billau* (Signature)  
 Address: 5851 Anderson SE, Apt. 7  
 Albuquerque, NM 87108

STATE OF New Mexico  
 COUNTY OF Bernalillo  
 The foregoing instrument was acknowledged before me this 30 day of July, 2007  
 by Phillip Billau  
 My Commission expires: 1/3/2007  
NM  
 OFFICIAL SEAL: PHILLIP BILAU, NOTARY PUBLIC, STATE OF NEW MEXICO, My Commission Expires: 1/3/2007, Notary Public in and for Bernalillo County.

ACKNOWLEDGMENT OF CORPORATION  
 STATE OF \_\_\_\_\_  
 COUNTY OF \_\_\_\_\_  
 The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
 by \_\_\_\_\_  
 as \_\_\_\_\_ on behalf of \_\_\_\_\_, a corporation.  
 My Commission expires: \_\_\_\_\_  
 Notary Public in and for \_\_\_\_\_

Post-It® Fax Note 7671 Date 7/6 # of pages 2  
 To Mark Hodge From Deag Ferguson  
 Co./Dept. \_\_\_\_\_ Co. \_\_\_\_\_  
 Phone # \_\_\_\_\_ Phone # \_\_\_\_\_  
 Fax # \_\_\_\_\_ Fax # \_\_\_\_\_

No. \_\_\_\_\_  
**Oil, Gas and Mineral Lease**  
 FROM \_\_\_\_\_ TO \_\_\_\_\_  
 Dated \_\_\_\_\_ No. Acres \_\_\_\_\_ Term \_\_\_\_\_  
 This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_ o'clock \_\_\_\_\_ m. \_\_\_\_\_  
 Book \_\_\_\_\_ Page \_\_\_\_\_  
 County Clerk \_\_\_\_\_ Deputy \_\_\_\_\_  
 When recorded return to \_\_\_\_\_