



marbob
energy corporation

27 February 2006

To Mineral Interest Owners
See Attached Exhibit "A"

RE: **Whiskey Girl Fee #1**
464' FSL & 1119' FEL
Section 14, T22S, R26E
Eddy County, New Mexico

Ladies and Gentlemen:

Marbob Energy Corporation proposes to drill the above referenced well to sufficiently test the Morrow formation. The said well will consist of an E/2 proration unit.

Enclosed please find Marbob Energy Corporation's proposed Operating Agreement dated March 1, 2006, and an Authority for Expenditure. An election to participate should be accompanied by an executed AFE and an executed signature page to the JOA. We have ordered a drilling title opinion for the lands within the spacing unit and will commence drilling this well before May 1, 2006.

If you elect not to participate in the drilling of this well we would request that you deliver an Oil and Gas Lease covering your minerals in the proration unit, under the following general terms:

1. \$500 per net acre bonus consideration
2. 3/16th Royalty
3. 1 year term

If you have any questions or need any further information please contact me.

Sincerely,

Ross A. Duncan
Landman

Enclosures

BEFORE THE OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case Nos. 13692 Exhibit No. 3

Submitted by:

Marbob Energy Corporation

Hearing Date: May 11, 2006

EXHIBIT "A"

Storm Watkins 7730 Modesto Lane Springfield, Virginia 22153	Michael P. Watkins 220 Lands End St. Rockport, Texas 78382
Ruth Monk Landsun Health Service Center 1900 Westridge Carlsbad, N.M. 88220	Larry Gene Davis 1620 Pine Bluff Ave. Orlando, Florida 32806
Donald Davis 2719 Rochell Point Irving, Texas 75062	Haskell Dale Smith 54 Turkey Canyon Rd. Queen Route Carlsbad, N.M. 88220
Allan K. Richardson II 3900 Madeira Dr. NE Albuquerque, N.M. 87110	Austin Richardson c/o George Richardson 134 Mushroom Dr. Bayfield, CO 81122
Joe B. Williams 2817 Standpipe Rd. Carlsbad, N.M. 88220	

Whiskey Girl Fee #1

464' FSL & 1119' FEL

Section 14, T22S, R26E

Eddy County, New Mexico

The undersigned hereby elect the following option this _____ day of _____ 2006.

____ 1) I elect to participate

____ 2) I elect to Lease under the proposed terms

Signature

To: Mr. Ross Duncan
Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227

JAMES E. HAAS
LOSEE, CARSON & HAAS, P.A.
207 South Fourth Street
P.O. Box 1720
Artesia, New Mexico 88211-1720
phone: 505.746-3505
facsimile: 505.746-6316

Re: Affidavit of Marital History and Heirship--
Ruth Monk

15 March 2006

FACSIMILE TRANSMISSION

746-2523

Please find attached a photocopy of captioned affidavit recorded at Book 635, Page 24, Eddy County Records. This should provide the backup we need to take a lease from Billie Jean Hammond. If you have any questions, please let me know.

Jim

/scp
Enclosures

File in Whiskey Girl Fee #1

AFFIDAVIT OF MARITAL HISTORY AND HEIRSHIP

The undersigned, JACQUELINE DENNIS NICHOLS, being of lawful age, upon being duly sworn, deposes and states that:

1. My name is Jacqueline Dennis Nichols, and I reside in Eddy County, New Mexico.
2. I am familiar with the marital history of Ruth and Kenneth O. Monk, aka K. O. Monk, both deceased.
3. I have been a close acquaintance of Ruth and Kenneth Monk for more than 45 years.
4. Kenneth Monk died on June 24, 2001 in Carlsbad, Eddy County, New Mexico, survived only by, his widow, Ruth Monk, and one child, Billie Jean Hammond.
5. Ruth Monk died on February 23, 2006, in Lubbock, Texas, survived by her child, Billie Jean Hammond.
6. Both Ruth and Kenneth Monk died Intestate and no probate proceedings are anticipated.
7. Billie Jean Hammond resides at 1205 East Orchard Lane, Carlsbad, New Mexico.

Further affiant sayeth not.

Jacqueline Dennis Nichols
JACQUELINE DENNIS NICHOLS

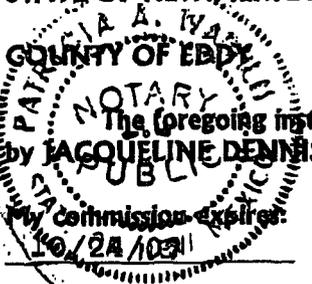


SUBSCRIBED AND SWORN TO before me this 10 day of MARCH, 2006, by JACQUELINE DENNIS NICHOLS.

Patricia A. Warlick
Notary Public

STATE OF NEW MEXICO _____)
COUNTY OF EDDY _____) : ss.

The foregoing instrument was acknowledged before me this 10 day of MARCH, 2006, by JACQUELINE DENNIS NICHOLS.



Patricia A. Warlick
Notary Public



Suzette Johnson
will pick up



marbob
energy corporation

27 February 2006

Gerald Adkins
#10 Saddle Club Dr.
Midland, TX 79701

RE: **Whiskey Girl Fee #1**
464' FSL & 1119' FEL
Section 14, T22S, R26E
Eddy County, New Mexico

Dear Mr. Adkins:

Marbob Energy Corporation proposes to drill the above referenced well to sufficiently test the Morrow formation. The said well will consist of an E/2 proration unit.

Enclosed please find Marbob Energy Corporation's proposed Operating Agreement dated March 1, 2006, and an Authority for Expenditure. An election to participate should be accompanied by an executed AFE and an executed signature page to the JOA. We have ordered a drilling title opinion for the lands within the spacing unit and will commence drilling this well before May 1, 2006.

If you elect not to participate in the drilling of this well we would request that you deliver an Oil and Gas Lease covering your minerals in the proration unit, under the following general terms:

1. \$500 per net acre bonus consideration
2. 3/16th Royalty
3. 1 year term

If you have any questions or need any further information please contact me.

Sincerely,

Ross A. Duncan
Landman

Enclosures

Whiskey Girl Fee #1
464' FSL & 1119' FEL
Section 14, T22S, R26E
Eddy County, New Mexico

The undersigned hereby elect the following option this _____ day of _____ 2006.

- ____ 1) I elect to participate
- ____ 2) I elect to Lease under the proposed terms

Gerald Adkins

OIL & GAS LEASE

THIS LEASE AGREEMENT (the "Lease") is made this 1st day of March, 2006 (the "Effective Date") between **DONALD LEE DAVIS and CYNTHIA DAVIS, his wife**, whose mailing address is 2719 Rochell Point, Irving, Texas 75062 the "Lessor" (whether one or more) and, **MARBOB ENERGY CORPORATION**, P.O. Box 227, Artesia, New Mexico 88211-0227, the "Lessee":

1. Lessor, in consideration of TEN DOLLARS and other consideration, the receipt of which is acknowledged, and of the royalties and agreements of the Lessee provided for in this Lease, grants, leases and lets exclusively to Lessee for the purpose of investigating, by geological, geophysical, seismic and other means, 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 to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Eddy County, New Mexico:

Township 22 South, Range 26 East, N.M.P.M.

Section 14: Beginning at a point on the South line of Section 14, 660 feet West of the Southeast corner of said Section 14; thence West along the section line, 186 feet; thence North along a line parallel to the East line of said Section 14, 396 feet; thence East along a line parallel to the South line of said Section 14, 186 feet; thence South along a line parallel to the East line of said Section 14, 396 feet to the point of beginning, being the SE/4 SE/4 of said Section 14

The land is estimated to comprise 1.69 acres, whether it actually comprises more or less, and are referred to as the "land" or the "lease premises."

2. Subject to the other provisions, this Lease shall remain in force for a term of 1 year from the Effective Date (the "primary term") and as long thereafter as oil or gas is produced from the land or from land with which the land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from the land, the 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 casing head gas or other gaseous substance produced from the land and used off the lease premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used, provided that on gas sold on or off the lease premises, the royalties shall be 3/16 of the amount realized from the sale; (c) and at any time when this Lease is not validated by other provisions and there is a gas and/or condensate well on the land, or land pooled with the land, is not being sold or used and the well is shut in, either before or after production, then on or before 90 days after the 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 the payment or tender, and so long as the shut-in royalty is paid or tendered this Lease shall not terminate and it shall be considered under its terms that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of the 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 the error within 30 days after Lessee has received written notice by certified mail from the party or parties entitled to receive payment together with the written instruments (or certified copies) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the lease premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for the term and under the 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 the contract or regulatory orders.

4. This is a Paid-Up Lease and Lessee shall not be obligated during the primary term to commence or continue any operations of any character or to make any payments 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 provision or paragraph 3 above.

5. Lessee is granted the right and power, from time to time, to pool or combine this Lease, the land covered by it, or any part, subsurface depth, or horizon of the land with any other land, leases or mineral estates, for the production of oil or gas. Units pooled by the terms of this Lease 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 the land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the lease premises are located and the 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 unit shall be considered for all purposes, except the payment of royalty, as operations conducted on or production from the land subject to this Lease. There shall be allocated to the land covered by this Lease included in any 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 the land covered by this Lease and included in a unit in the same manner as though produced from the land under the terms of this Lease. Any pooled unit designated by Lessee, may be dissolved by Lessee by recording an appropriate instrument in the county where the land is situated at any time.

6. It is understood and agreed that this lease will terminate at the end of the primary term as to all lands not included within a proration unit prescribed or permitted by the rules of the Oil Conservation Commission of the State of New Mexico upon which there is then located a well capable of producing Oil and/or Gas in commercial quantities, including those depths and horizons 100 feet below the production formation(s) within such producing proration units, provided, however, that if at the end of the primary term there is a proration unit upon which Lessee is then engaged in drilling or reworking operations, the lease shall remain in force as to each such proration unit so long as such operations are prosecuted with no cessation of more than sixty (60) consecutive days and if they result in commercial production of Oil and/or Gas, then this lease will continue in force and effect as to each such producing proration units so long as such commercial production is maintained, excepting those depths and horizons 100 feet below the producing formation(s) within such producing proration units.

7. Lessee shall have free use of oil, gas and water from the land, except water from Lessor's wells and tanks, for all operations under this Lease, 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 the land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines 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 the land without Lessor's consent.

8. The rights of Lessor or Lessee to this Lease may be assigned in whole or in part and the provisions of this Lease shall extend to their respective 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 change or division shall be binding on 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 of them constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of an owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to the deceased's estate or heirs,

OIL & GAS LEASE

THIS LEASE AGREEMENT (the "Lease") is made this 1st day of March, 2006 (the "Effective Date") between **LARRY GENE DAVIS and NETTIE DAVIS, his wife**, whose mailing address is 1620 Pine Bluff Ave, Orlando, Florida 32806 the "Lessor" (whether one or more) and, **MARBOB ENERGY CORPORATION**, P.O. Box 227, Artesia, New Mexico 88211-0227, the "Lessee":

1. Lessor, in consideration of TEN DOLLARS and other consideration, the receipt of which is acknowledged, and of the royalties and agreements of the Lessee provided for in this Lease, grants, leases and lets exclusively to Lessee for the purpose of investigating, by geological, geophysical, seismic and other means, 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 to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Eddy County, New Mexico:

Township 22 South, Range 26 East, N.M.P.M.

Section 14: Beginning at a point on the South line of Section 14, 660 feet West of the Southeast corner of said Section 14; thence West along the section line, 186 feet; thence North along a line parallel to the East line of said Section 14, 396 feet; thence East along a line parallel to the South line of said Section 14, 186 feet; thence South along a line parallel to the East line of said Section 14, 396 feet to the point of beginning, being the SE/4 SE/4 of said Section 14

The land is estimated to comprise 1.69 acres, whether it actually comprises more or less, and are referred to as the "land" or the "lease premises."

2. Subject to the other provisions, this Lease shall remain in force for a term of 1 year from the Effective Date (the "primary term") and as long thereafter as oil or gas is produced from the land or from land with which the land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from the land, the 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 casing head gas or other gaseous substance produced from the land and used off the lease premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used, provided that on gas sold on or off the lease premises, the royalties shall be 3/16 of the amount realized from the sale; (c) and at any time when this Lease is not validated by other provisions and there is a gas and/or condensate well on the land, or land pooled with the land, is not being sold or used and the well is shut in, either before or after production, then on or before 90 days after the 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 the payment or tender, and so long as the shut-in royalty is paid or tendered this Lease shall not terminate and it shall be considered under its terms that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of the 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 the error within 30 days after Lessee has received written notice by certified mail from the party or parties entitled to receive payment together with the written instruments (or certified copies) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the lease premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for the term and under the conditions as are customary in the industry. "Price"

mm

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 the contract or regulatory orders.

4. This is a Paid-Up Lease and Lessee shall not be obligated during the primary term to commence or continue any operations of any character or to make any payments 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 provision or paragraph 3 above.

5. Lessee is granted the right and power, from time to time, to pool or combine this Lease, the land covered by it, or any part, subsurface depth, or horizon of the land with any other land, leases or mineral estates, for the production of oil or gas. Units pooled by the terms of this Lease 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 the land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the lease premises are located and the 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 unit shall be considered for all purposes, except the payment of royalty, as operations conducted on or production from the land subject to this Lease. There shall be allocated to the land covered by this Lease included in any 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 the land covered by this Lease and included in a unit in the same manner as though produced from the land under the terms of this Lease. Any pooled unit designated by Lessee, may be dissolved by Lessee by recording an appropriate instrument in the county where the land is situated at any time.

6. It is understood and agreed that this lease will terminate at the end of the primary term as to all lands not included within a proration unit prescribed or permitted by the rules of the Oil Conservation Commission of the State of New Mexico upon which there is then located a well capable of producing Oil and/or Gas in commercial quantities, including those depths and horizons 100 feet below the production formation(s) within such producing proration units, provided, however, that if at the end of the primary term there is a proration unit upon which Lessee is then engaged in drilling or reworking operations, the lease shall remain in force as to each such proration unit so long as such operations are prosecuted with no cessation of more than sixty (60) consecutive days and if they result in commercial production of Oil and/or Gas, then this lease will continue in force and effect as to each such producing proration units so long as such commercial production is maintained, excepting those depths and horizons 100 feet below the producing formation(s) within such producing proration units.

7. Lessee shall have free use of oil, gas and water from the land, except water from Lessor's wells and tanks, for all operations under this Lease, 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 the land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines 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 the land without Lessor's consent.

8. The rights of Lessor or Lessee to this Lease may be assigned in whole or in part and the provisions of this Lease shall extend to their respective 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 change or division shall be binding on 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 of them constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of an owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to the deceased's estate or heirs,

OIL & GAS LEASE

THIS LEASE AGREEMENT (the "Lease") is made this 1st day of March, 2006 (the "Effective Date") between **BILLIE JEAN HAMMOND**, whose mailing address is 1205 Orchard Lane, Carlsbad, New Mexico 88220 the "Lessor" (whether one or more) and, **MARBOB ENERGY CORPORATION**, P.O. Box 227, Artesia, New Mexico 88211-0227, the "Lessee":

1. Lessor, in consideration of TEN DOLLARS and other consideration, the receipt of which is acknowledged, and of the royalties and agreements of the Lessee provided for in this Lease, grants, leases and lets exclusively to Lessee for the purpose of investigating, by geological, geophysical, seismic and other means, 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 to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Eddy County, New Mexico:

Township 22 South, Range 26 East, N.M.P.M.

Section 14: Beginning at the Southeast corner of the SW/4 SE/4 Section 14, thence North along the subdivision line, 1320 feet, more or less, to the Northeast corner of said SW/4 SE/4; thence West along the subdivision line 231 feet; thence South parallel to the East line of said SW/4 SE/4 of Section 14, 1320 feet, more or less, to the South line of Section 14; thence East along the section line 231 feet to the point of beginning

The land is estimated to comprise 7 acres, whether it actually comprises more or less, and are referred to as the "land" or the "lease premises."

2. Subject to the other provisions, this Lease shall remain in force for a term of 1 year from the Effective Date (the "primary term") and as long thereafter as oil or gas is produced from the land or from land with which the land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from the land, the 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 casing head gas or other gaseous substance produced from the land and used off the lease premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used, provided that on gas sold on or off the lease premises, the royalties shall be 3/16 of the amount realized from the sale; (c) and at any time when this Lease is not validated by other provisions and there is a gas and/or condensate well on the land, or land pooled with the land, is not being sold or used and the well is shut in, either before or after production, then on or before 90 days after the 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 the payment or tender, and so long as the shut-in royalty is paid or tendered this Lease shall not terminate and it shall be considered under its terms that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of the 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 the error within 30 days after Lessee has received written notice by certified mail from the party or parties entitled to receive payment together with the written instruments (or certified copies) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the lease premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for the term and under the 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 the contract or regulatory orders.

4. This is a Paid-Up Lease and Lessee shall not be obligated during the primary term to commence or continue any operations of any character or to make any payments 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 provision or paragraph 3 above.

5. Lessee is granted the right and power, from time to time, to pool or combine this Lease, the land covered by it, or any part, subsurface depth, or horizon of the land with any other land, leases or mineral estates, for the production of oil or gas. Units pooled by the terms of this Lease 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 the land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the lease premises are located and the 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 unit shall be considered for all purposes, except the payment of royalty, as operations conducted on or production from the land subject to this Lease. There shall be allocated to the land covered by this Lease included in any 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 the land covered by this Lease and included in a unit in the same manner as though produced from the land under the terms of this Lease. Any pooled unit designated by Lessee, may be dissolved by Lessee by recording an appropriate instrument in the county where the land is situated at any time.

6. It is understood and agreed that this lease will terminate at the end of the primary term as to all lands not included within a proration unit prescribed or permitted by the rules of the Oil Conservation Commission of the State of New Mexico upon which there is then located a well capable of producing Oil and/or Gas in commercial quantities, including those depths and horizons 100 feet below the production formation(s) within such producing proration units, provided, however, that if at the end of the primary term there is a proration unit upon which Lessee is then engaged in drilling or reworking operations, the lease shall remain in force as to each such proration unit so long as such operations are prosecuted with no cessation of more than sixty (60) consecutive days and if they result in commercial production of Oil and/or Gas, then this lease will continue in force and effect as to each such producing proration units so long as such commercial production is maintained, excepting those depths and horizons 100 feet below the producing formation(s) within such producing proration units.

7. Lessee shall have free use of oil, gas and water from the land, except water from Lessor's wells and tanks, for all operations under this Lease, 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 the land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines 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 the land without Lessor's consent.

8. The rights of Lessor or Lessee to this Lease may be assigned in whole or in part and the provisions of this Lease shall extend to their respective 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 change or division shall be binding on 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 of them constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of an owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to the deceased's estate or heirs,

executor, or administrator until the time Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to the sums. An assignment of this Lease in whole or in part shall, to the extent of the assignment, relieve and discharge Lessee of any obligations under this Lease and, if Lessee or an assignee of a part or parts of this Lease shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from the Lessee or an assignee or fail to comply with any of the provisions of this Lease, the default shall not affect this Lease insofar as it covers a part of the lands on which Lessee or any assignee shall properly comply or make the payments.

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

10. Lessor warrants and agrees to defend the title to the land and agrees that Lessee at its option may discharge any tax, mortgage or other lien on the land. In the event Lessee does so, it shall be subrogated to the lien with the right to enforce same and to apply royalties and shut-in royalties payable under the terms of this Lease toward satisfying same. Without impairment of Lessee's rights under the warranty, if this Lease covers a lesser interest in the oil or gas in all or any part of the land than the entire and undivided fee simple estate (whether Lessor's interest is 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 the full interest, shall be paid only in the proportion which the interest, if any, covered by this Lease, bears to the whole and undivided fee simple estate in the land. Should any one or more of the parties named above as Lessors fail to execute this Lease, it shall nevertheless be binding on the party or parties executing the Lease.

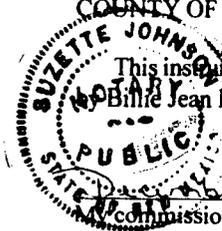
11. Lessee and Lessee's successors, heirs and assigns, shall have the right at any time to surrender this Lease, in whole or in part, to Lessor or Lessor's heirs, successors, and assigns by delivering or mailing a release to the Lessor, or by placing a release of record in the county in which the land is situated. Then, Lessee shall be relieved from all obligations, expressed or implied of this Lease as to acreage surrendered, and then the shut-in royalty payable under the terms of this Lease shall be reduced in the proportion that the acreage covered by this Lease is reduced by the release or releases.

This Lease is executed by the Lessor as of the date of the acknowledgment below, but shall be deemed effective as of the Effective Date stated above.

Billie Jean Hammond

Billie Jean Hammond

STATE OF NEW MEXICO §
§
COUNTY OF EDDY §



This instrument was acknowledged before me on this 17th day of March, 2006
Billie Jean Hammond.

March 14, 2006
commission expires

Suzette Johnson
Notary Public

RECEPTION NO: 0603457 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 03/22/2006 9:03 AM
BOOK 0636 PAGE 0246
JEAN BLENDEN, COUNTY CLERK

