

EXHIBIT 'E': 5 Pages:



United States Bureau of Reclamation
Albuquerque Area Office

505 Marquette, NW - Suite 1313
Albuquerque, New Mexico 87102

FROM: RIK ARNDT - LEAD REALTY SPECIALIST

PHONE : 505.248.5311

FAX: 505.248.5308

TO: Sharon McDonald - Bonneville

Fax: 303.863.1558

Phone: 303.863.1555

SUBJECT: NM13624 Oil and Gas Lease - Stipulations

MESSAGE: Sharon, I have attached the elevations and current stipulations for leases on our project lands - Carlsbad and Tucumcari. The elevations for Avalon should be followed on your existing lease as reference to the contour elevation. I have not been able to locate page 322 of the Water Supply Paper 898, but will fax that to you as soon as I am able to locate that information. If you have any questions please feel free to call me at the above number. Thanks, Rik

Pages including cover sheet : 2

If you do not receive all facsimile pages please call me at 505.248.5311

MINERAL LEASING STIPULATIONS FOR CARLSBAD AND TUCUMCARI PROJECTS

The Bureau of Reclamation is the surface managing agency for approximately 59,800 acres in the Roswell Resource area. Subject lands are located within three reservoirs within the Carlsbad Project and two lakes within the Tucumcari Project and being listed as follows:

1. Carlsbad Project - Brantley Reservoir - 43,500 ac.
2. Carlsbad Project - Avalon Reservoir - 4,000 ac.
3. Carlsbad Project - Sumner Reservoir - 11,500 ac.
4. Tucumcari Project - Hudson Lake - 160 ac.
5. Tucumcari Project - Dry Lake - 640 ac.

With regards to the leasing of the mineral estate(s) beneath said 59,800 ac. the BOR will provide specific leasing stipulations for each prospective lease. The general overall leasing stipulations and requirements for subject BOR lands are as follows:

BRANTLEY RESERVOIR

No surface occupancy will be allowed within one-half mile of the Brantley Dam site, drilling between one-half mile and one mile of the Brantley Dam site shall be reviewed on a case by case basis.
 No surface occupancy within the Brantley Lake State Park.
 No storage facilities will be allowed below El. 3235.
 Surface occupancy below natural El. 3271 shall be reviewed on a case by case basis.

AVALON RESERVOIR

No surface occupancy within one-half mile of the Avalon Dam site.
 No surface occupancy below El. 3190.
 No storage facilities below El. 3200.

SUMNER RESERVOIR

No surface occupancy within one-half mile of the Sumner Dam site.
 No surface occupancy within Sumner Lake State Park.
 No surface occupancy below El. 4279.
 No storage facilities below El. 4300.

HUDSON LAKE

No surface occupancy within boundaries of Hudson Lake.

DRY LAKE

No surface occupancy below El. 4085.

The BOR proposes that the first paragraph at the top of page 3 of your MANAGEMENT COMMON TO ALL ALTERNATIVES be omitted. Subject paragraph states if lands presently managed by the BOR revert back to the management of the BLM, they would be leased and managed under appropriate Roswell District stipulations or conditions of approval (e.g., stipulations for flood plains).

Hudsons Waste Level I

3/6

Drilling to be prohibited within one half mile of any dam, dike or other major structure, and within 150 ft. of the center line of any canal, lateral or drain connected with the project. Drilling to be prohibited within an area established by a line 300 ft. beyond the high water line of Avalon Reservoir, said high water line being defined as Contour 3180, which Contour is 2.0 ft. above the crest of Spillway No. 1. (See page 322 USGS Water Supply Paper 898).

[Signature]
(Signature of Lessee)

Stipulations agreed to in 1976.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
STATE OFFICE
P. O. Box 1449
Santa Fe, New Mexico 87501

IN REPLY REFER TO

NM 13624
Oil and Gas

943b-4

Certified Mail
Return Receipt Requested

FEB 11 1976

Decision

Inexco Oil Company :
1100 Milam Building, Suite 1900 : Oil and Gas
Houston, Texas 77002 :
:

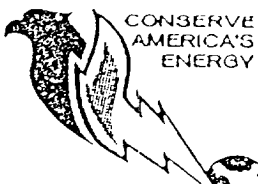
Stipulation Amended

The Bureau of Reclamation Stipulations which are a part of oil and gas lease NM 13624 are hereby amended to show that the area covered by the lease is within the Avalon Reservoir and not the McMillan Reservoir.

Attached is a copy of the amended Stipulations.

Raul E. Martinez
Raul E. Martinez
Chief, Minerals Section

cc: Bureau of Reclamation
USGS, Roswell
Mr. George Womack
1100 Milam Bldg., Suite 1900
Houston, Texas 77002



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NM 13624
Oil and Gas

LEASE STIPULATIONS
BUREAU OF RECLAMATION

AMENDED STIPULATIONS

The lessee agrees to maintain, if required by the lessor during the period of this lease, including any extension thereof, an additional bond with qualified sureties in such sum as the lessor, if it considers that the bond required under Section 2(a) is insufficient, may at any time require:

(a) to pay for damages sustained by any reclamation homestead entryman to his crops or improvements caused by drilling or other operations of the lessee, such damages to include the reimbursement of the entryman by the lessee, when he uses or occupies the land of any homestead entryman, for all construction and operation and maintenance charges becoming due during such use or occupation upon any portion of the land so used and occupied;

(b) to pay any damage caused to any reclamation project or water supply thereof by the lessee's failure to comply fully with the requirements of this lease; and

(c) to recompense any nonmineral applicant, entryman, purchaser under the Act of May 16, 1930 (46 Stat. 367), or patentee for all damages to crops or to tangible improvements caused by drilling or other prospecting operations, where any of the lands covered by this lease are embraced in any non-mineral application, entry, or patent under rights initiated prior to the date of this lease, with a reservation of the oil deposits, to the United States pursuant to the Act of July 17, 1914 (38 Stat. 509).

As to any lands covered by this lease within the area of any Government reclamation project, or in proximity thereto, the lessee shall take such precautions as required by the Secretary to prevent any injury to the lands susceptible to irrigation under such project or to the water supply thereof; provided that drilling is prohibited on any constructed works or right-of-way of the Bureau of Reclamation, and provided, further, that there is reserved to the lessor, its successors and assigns, the superior and prior right at all times to construct, operate, and maintain dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures, and reclamation works, in which construction, operation, and maintenance, the lessor, its successors and assigns, shall have the right to use any or all of the lands herein described without making compensation therefor, and shall not be responsible for any damage from the presence of water thereon or on account of ordinary, extraordinary, unexpected, or unprecedented floods. That nothing shall be done under this lease to increase the cost of, or interfere in any manner with, the construction, operation, and maintenance of such works. It is agreed by the lessee that, if the construction of any or all of said dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone or telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures or reclamation works across, over, or upon said lands should be made more expensive by reason of the existence of the improvements and workings of the lessee thereon, said additional expense is to be estimated by the

Secretary of the Interior, whose estimate is to be final and binding upon the parties hereto, and that within thirty (30) days after demand is made upon the lessee for payment of any such sums, the lessee will make payment thereof to the United States, or its successors, constructing such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures, or reclamation works, across, over, or upon said lands; provided, however, that subject to advance written approval by the United States, the location and course of any improvements or works and appurtenances may be changed by the lessee; provided, further, that the reservations, agreements, and conditions contained in the within lease shall be and remain applicable notwithstanding any change in the location or course of said improvements or works of lessee. The lessee further agrees that the United States, its officers, agents, and employees, and its successors and assigns shall not be held liable for any damage to the improvements or workings of the lessee resulting from the construction, operation, and maintenance of any of the works hereinabove enumerated. Nothing in this paragraph shall be construed as in any manner limiting other reservations in favor of the United States contained in this lease.

THE LESSEE FURTHER AGREES That there is reserved to the lessor, its successors and assigns, the prior right to use any of the lands herein leased, to construct, operate, and maintain dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures, and also the right to remove construction materials therefrom, without any payment made by the lessor or its successors for such right, with the agreement on the part of the lessee that if the construction of any or all of such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures across, over, or upon said lands or the removal of construction materials therefrom, should be made expensive by reason of the existence of improvements or workings of the lessee thereon, such additional expense is to be estimated by the Secretary of the Interior, whose estimate is to be final and binding upon the parties hereto, and that within thirty (30) days after demand is made upon the lessee for payment of any such sums, the lessee will make payment thereof to the United States or its successors constructing such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures across, over, or upon said lands or removing construction materials therefrom. The lessee further agrees that the lessor, its officers, agents, and employees and its successors and assigns shall not be held liable for any damage to the improvements or workings of the lessee resulting from the construction, operation, and maintenance of any of the works herein above enumerated. Nothing contained in this paragraph shall be construed as in any manner limiting other reservations in favor of the lessor contained in this lease.

Drilling is prohibited within one-half mile of any dam, dike, or other major structure. Drilling is prohibited within an area established by a line 300 feet beyond the high water line of Avalon Reservoir, said high water line being defined as Contour is 2.0 feet above the crest of Spillway No. 1 (See page 322 U.S.G.S. Water Supply Paper 898).

That elevation is 3180'

(Signature of Lessee)

(over)

LEASE STIPULATIONS
(Continued)

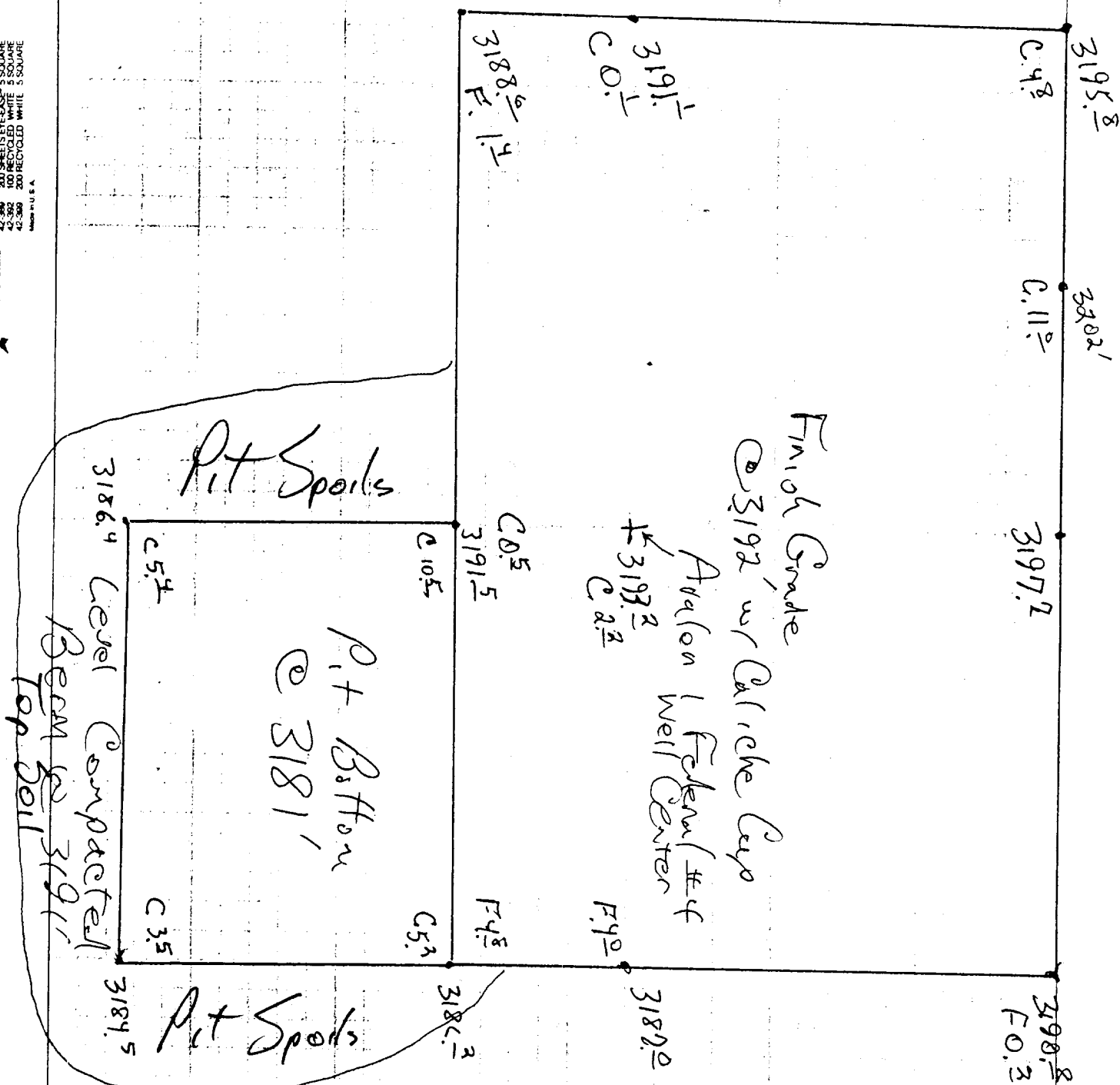
To insure against the contamination of the waters of the **Avalon** Reservoir,
Carlsbad Project, State of **New Mexico**, the lessee agrees that
the following further conditions shall apply to all drilling and operations on lands covered by this lease, which lie
within the flowage or drainage area of the **Avalon** Reservoir, as such area
is defined by the Bureau of Reclamation:

1. The drilling sites for any and all wells shall be approved by the Superintendent, Bureau of
Reclamation, **Carlsbad** Project, before
drilling begins. Sites for the construction of pipe-line rights-of-way or other authorized facilities shall
also be approved by the Superintendent before construction begins.

2. All drilling or operation methods or equipment shall, before their employment, be inspected
and approved by the Superintendent of the **Carlsbad** Project,
Avalon Reservoir, and by the Supervisor of the U. S. Geological Survey having jurisdiction
over the area.

Elevations

EXHIBIT 'F'



13-782	500 SHEETS, FILLER	5 SQUARE
42-381	60 SHEETS EYE-EASE®	5 SQUARE
42-382	100 SHEETS EYE-EASE®	5 SQUARE
42-389	200 SHEETS EYE-EASE®	5 SQUARE
42-392	100 RECYCLED WHITE	5 SQUARE
42-399	200 RECYCLED WHITE	5 SQUARE

