



March 2, 2011

Adobe Investment Co.
P.O. Box 1006
Ignacio, CO 81137

Attention: Mr. Chris Ribera

RE: Offer to Lease Oil & Gas
Township 32 North, Range 4West, N.M.P.M.
Section 8: E/2 of Lot 5
Rio Arriba County, New Mexico

Dear Chris:

In accordance with our recent phone conversation, I am enclosing documents in reference to Energen's offer to lease your minerals located in Section 8-T32N-R4W, in Rio Arriba County, New Mexico.

Enclosed for your review is an Oil & Gas lease with a side letter agreement. This lease provides for a 5 year term with a 1/5th royalty. Energen offers a bonus consideration of \$400.00 per net mineral acre. This is above the normal offer for royalty and bonus but is identical to the highest offer I can find that has ever been made in this area.

The acreage in this lease is 14.305 net mineral acres. Although this land is on the records of Rio Arriba County as 25.84 acres it is actually 14.305. This is due to litigation in 1927 between Carpenter vs Darling. Both of these parties were surveyors and this litigation was decided in favor of Darling. The 25.84 acres is from the Carpenter survey. Unfortunately this old survey is still being used. I am enclosing for your review a copy of the Mineral Title Plat (MTP) which shows the most current survey. This survey changes the description from Lot 1 to Lot 5 and shows Lot 5 to contain 28.61 acres. You own the E/2 of this lot and thus 14.305 acres. I am also enclosing three pages of a recent title opinion which also shows the acreage to be 14.305 acres.

Please review this offer and let me know your thoughts. I am available to discuss this at your convenience and can be reached at work-(505) 324-4133, cell-(505)320-8681 or by email at dpoage@energen.com.

Sincerely,

David M. Poage
District Landman

ENERGEN EX. NO. 3
NMOCD CASE # 14653
MAY 26, 2011

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 1st day of March, 2011, by and between Adobe Investment Co., L.L.C., a Colorado Limited Liability company, P.O. Box 1006, Ignacio, CO 81137 ("Lessor", whether one or more) and Energen Resources Corporation whose address is 605 Richard Arrington Blvd. North, Birmingham AL 35203-2707 ("Lessee").

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or jointly with neighboring land for such purposes, all that certain tract

or tracts of land situated in Rio Arriba County, New Mexico described as follows, to-wit:

Township 32 North, Range 4 West, N.M.P.M.
Section 8: E/2 of Lot 5

SUBJECT TO SIDE LETTER AGREEMENT OF EVEN DATE

and containing 14.305 acres, more or less, (the "Premises").

1. It is agreed that this Lease shall remain in force for a term of 5 years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. Lessee covenants and agrees to pay royalty to Lessor as follows:

(a) On oil, to deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect wells on the Premises, the equal one-eighth (1/8th) part of all oil produced and saved from the Premises.

(b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, one-eighth (1/8th) of the net proceeds realized by Lessee from the sale thereof; provided, that the net proceeds shall be after deduction for costs subsequent to the production of the Gas, including, without limitation, costs (including fuel use) related to gathering, transporting, dehydrating, compressing, processing, marketing and treating the Gas.

4. Where Gas from a well capable of producing Gas is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, Gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any actor omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgement it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder 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 the Premises 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 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.

13. 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the Premises, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more of the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

By: _____

UNIFORM ACKNOWLEDGEMENT-INDIVIDUAL

STATE OF _____ }
COUNTY OF _____ } §

The foregoing instrument was acknowledged before me this _____ day of _____, 2011, by _____

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

CORPORATE ACKNOWLEDGEMENT

STATE OF _____ }
COUNTY OF _____ } §

BEFORE ME, the undersigned authority, on this _____ day of _____, 2011, personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

My Commission Expires: _____

Notary Public, State of _____

Name of Notary Printed _____

SIDE LETTER AGREEMENT

RE: Oil & Gas Lease Side Letter Agreement
Township 32 North, Range 4 West, N.M.P.M.
Section 8: E/2 of Lot 5
(100% mineral interest, 14.305 gross and net mineral acres)
Rio Arriba County, New Mexico

By this side letter agreement Energen Resources Corporation is agreeable to adding the following provisions to that certain Oil and Gas Lease dated March 1, 2011, by and between Adobe Investment Co., L.L.C., a Colorado limited liability company (hereinafter "Lessor") and Energen Resources Corporation (hereinafter "Lessee").

1. Lessee agrees to pay Lessor a one-time bonus consideration of \$400.00 per net mineral acre (14.305 net mineral acres x \$400.00/ac = \$5,722.00 for the LLC's interest) for a 5 year lease term and a 1/5 royalty interest.
2. It is mutually agreed and understood that payment for the one-time bonus consideration will be made by the Lessee upon execution of the Oil and Gas lease by Lessor and Lessee.

This agreement is agreed to and accepted this _____ day of March, 2011.

LESSOR:

Adobe Investment Co., L.L.C.

LESSEE:

Energen Resources Corporation

BY:

BY: David M. Poage

ABADIE & SCHILL, P.C.

ATTORNEYS AT LAW

LON W. ABADIE*
ANDREW SCHILL^o

*CO, CA, NM & UT
^oCO, ND, NE & OK

TITLE OPINION

DATED: May 19, 2009

STATE: New Mexico

COUNTY: Rio Arriba

OUR FILE NUMBER: 4128.19

LAND DESCRIPTION:

Township 32 North, Range 4 West, N.M.P.M.
Section 8: Lots 5 (28.61), 6 (28.66), 7 (28.49),
8 (28.32) and the S/2S/2, aka All
Containing 274.08 acres, more or less

Dave Poage, District Landman
Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

MATERIALS EXAMINED

1. Abstract of Title No. 9229, prepared by Schutz Abstract Company, Inc., Santa Fe, New Mexico, covering the records of the United States Land Office at Santa Fe, New Mexico as to Oil and Gas Mineral rights under Serial Record and Case File NM 29329 (Tract I) and certified from inception of the records through January 12, 2009 at 8:00 a.m.

2. Abstract of Title No. 9230, prepared by Schutz Abstract Company, Inc., Santa Fe, New Mexico, covering the records of the United States Land Office at Santa Fe, New Mexico as to Oil and Gas Mineral rights under Serial Record and Case File NM 28277 (Tract II) and certified from inception of the records through January 12, 2009 at 8:00 a.m.

3. Abstract of Title, prepared by Randall R. Fort, Petroleum Landman, covering Sections 8 and 9, Township 32 North, Range 4 West, N.M.P.M., based upon a review of the records of the tract indices of Espanola Abstract Company, such indices covering the period of time from April 1, 1977 at 8:00 a.m. through November 18, 2008 at 8:00 a.m. as to Tract I. From September 1, 1976 at 8:00 a.m. through November 18, 2008 at 8:00 a.m. as to Tract II, inception of the records through November 19, 2008 at 8:00 a.m. as to Tracts III and IV.

4. Unrecorded materials, or recorded materials related to the materials found in the search outlined above, as commented upon herein.

OIL AND GAS LEASE(S)

A tabulation of assignments filed in the county records and/or in the Tribal/BIA/BLM records during our period of examination is attached as Exhibit A. All recording references are to official records of the county in which the lands are located and approval references, if any, are to the Authorized Officer of the Department of the Interior (DOI). Please note that this Exhibit is presented for reference purposes only and is not meant to be a comprehensive representation of the documents tabulated. Legal analysis of these documents is presented in Encumbrances, Exceptions, Comments and Requirement Sections of this Opinion, not in the Exhibit.

OWNERSHIP

Based upon our examination of the above-described materials, we find record ownership to the captioned lands, as of the respective dates of certification listed above, to be stated below, subject, however, to the encumbrances, exceptions, comments and requirements listed thereafter.

TRACTS

For purposes of presentation, we have segregated the subject lands into the following described tracts:

- | | |
|--------------------------|--|
| Tract I:
(Lease A) | SE/4SE/4, containing 40.00 acres, more or less |
| Tract II:
(Lease B) | Lots 6 (28.66), 7 (28.49), 8 (28.32) and the S/2SW/4,
SW/4SE/4, containing 205.47 acres, more or less |
| Tract III:
(Unleased) | W/2 of Lot 5, containing 14.305 acres, more or less |
| Tract IV:
(Unleased) | E/2 of Lot 5, containing 14.305 acres, more or less |

SURFACE OWNERSHIP:

Not covered herein.

RECORD TITLE INTEREST:

<u>Owner(s):</u>	<u>Interest%</u>	<u>OGL</u>
<u>TRACT I:</u>		
Energen Resources Corporation	100.0000000	A
<u>TRACT II:</u>		
Energen Resources Corporation	100.0000000	B

OIL, GAS AND OTHER MINERALS:

<u>Owner(s):</u>	<u>Interest%</u>	<u>OGL</u>	<u>Royalty %</u>
<u>TRACT I:</u>			
United States	100.0000000	A	1/8
<u>TRACT II:</u>			
United States	100.0000000	A	1/8
<u>TRACT III:</u>			
Energen Resources Corporation	100.0000000	Unleased	N/A
<u>TRACT IV:</u>			
R&P II Properties, LLC ¹	100.0000000	Unleased	N/A

OVERRIDING ROYALTY INTEREST:

<u>Owner:</u>	<u>Interest %</u>	<u>OGL</u>
<u>TRACT I:</u>		
Malbur Investments LLC	.5000000	A
San Juan Basin Properties LLC	.5000000	A
Erin M. Gogolak	.5000000	A
R. Craig Ewing, Trustee of the June McHugh 1992 Trust	.5000000	A

¹ See Requirement Nos. 8 and 9