

Status of Un-committed Interests

•all parties have been mailed the "force pool" letter proposing the well by certified mail and regular mail on 4/30/13.

•Mailed Dan Foland, XTO Land Manager, a lease offer on 2/21/13 covering NW/4 Section 20. Since no response to our lease offer, I emailed Dylan Boyer, XTO landman, a copy of the lease offer on 3/1/13. Emailed Boyer on 4/19/13 requesting an update of our lease offer. Boyer responded the same day with no decision yet. Emailed Boyer on 5/2/13 requesting a response and Boyer responded back the same day that XTO wanted a response to a different trade that XTO had presented to Nearburg. Boyer also advised that XTO also represented Isaac Family, LLP and Quail Creek Royalty, LLC. Emailed Boyer on 6/3/13 that XTO's other trade was of no interest to Nearburg and that I had been in contact with E G Energy, LLC. Emailed Boyer on 6/5/13 requesting an update and he emailed me XTO's proposed lease form and lease terms. I responded by email on 6/6 with our requested changes to XTO's lease form. I emailed a request for an update on the status of the lease on 6/17 and Boyer responded that it was still being circulated for approval. On 6/19/13, Boyer emailed that XTO's marketing department was the final group to review our changes before XTO responded to our requested lease changes. I acknowledged his email the same day. I emailed Boyer on 6/25 requesting an update and I received an email response the same day saying that XTO's gas marketing group had made their comments but he was still waiting on the oil department to review the lease.

•E G Energy, LLC was emailed to a website located on the internet on 5/3/13 and received response on 5/24/13 requesting well proposal. E G Energy, LLC is not being represented by XTO. Spoke to Joe Williams on 5/31 and he will look into and call me back. Emailed Joe on 6/03 with a lease offer. Received email containing same lease form as XTO's lease form on 6/5 which we are reviewing. The approved lease form from XTO would also be used by E. G. Energy, L.L.C.

•Mailed and emailed a lease offer on 2/21 to Pat Sparks, landman with Oxy, offering to lease Oxy's mineral interest. Multiple calls made and emails sent to Pat Sparks between February 2013 and March 2013 to find out the status of our offer with no response. Sparks had advised that this is usually a very long process, possibly involving their Los Angeles office. Sparks has also said there is a possibility that OXY could elect to participate with their interest. Message on Sparks' voice mail in April said to contact Becky Bledsoe, landman with Oxy, if immediate assistance was needed. On 4/16 I emailed Becky Bledsoe with a copy of my 2/21 offer to lease covering Section 20. Made a few calls to Becky Bledsoe in the next month to see if any response to our lease offer with none provided. On 6/4 received phone call from Donna Havins, landman with Oxy, and Becky Bledsoe concerning OXY's interest in participating in the well. On 6/4, emailed Becky Bledsoe with a bullet point list of items we believe OXY would need to agree to prior to drafting a participation agreement enabling Oxy the ability to review our propriety seismic and geologic data involving both this well and the Sapient 17 #1 well which would aid them in their decision to participate in the drilling either wells. Our bullet point list of items stated that the Sapient 17 #1 well could be drilled back to back, delayed or not drilled at all based on results from the West Lovington 20 #1 well. I received an email on 6/4 from Becky Bledsoe containing Oxy's proposed lease form for our review. Received telephone call on 6/5 from Donna Havins asking what information Nearburg required from the drilling of the West Lovington 20 #1 well to determine the spud date of the Sapient 17 #1 well. I responded on 6/6 that the Sapient 17 #1 would not spud until at least 90 days after the West Lovington 20 #1 well reaches TD. Received signed AFE by email from Becky Bledsoe on 6/7. Provide Becky Bledsoe by email with a proposed JOA on 6/14. Provided Becky Bledsoe with our requested changes to their proposed lease form on 6/18. Received Oxy's multiple changes to our JOA on 6/21 by email. In the same email, we received Oxy's revised lease form including most of our requested changes and some new Oxy language which we are reviewing. Sent an email to Becky Bledsoe on 6/24 in which we accepted 12 of the initial changes to the JOA that we received on 6/21 advising her that I am still reviewing the remaining changes with the intent of responding back to her on the remaining changes by 6/28. Sent an email to Becky Bledsoe on 6/25 to determine why one of our requested changes wasn't accepted and what the new language added to the lease meant.

Oil Conservation Division
Case No. 3 14995
Exhibit No. 3

Oil and Gas Exploration
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

April 30, 2013

See Attached Addressee List

VIA CERTIFIED MAIL RETURN RECEIPT
REQUESTED AND BY REGULAR MAIL

Re: WEST LOVINGTON PROSPECT
Lea County, New Mexico
WEST LOVINGTON 20 N 1 WELL
387' FNL & 627' FWL
Section 20, T-17-S, R-37-E, N.M.P.M.

Gentlemen:

According to the records of Lea County, New Mexico, you own an interest in the un-leased minerals covering the lands comprising the spacing/drilling unit for the subject well. Nearburg Exploration Company, L.L.C. owns oil and gas leases covering such lands, and believes it is in the best interest of all parties to cooperate in developing such lands and the corresponding leases and mineral interests. Accordingly, Nearburg hereby proposes the drilling of the captioned vertical well to test the Strawn formation at the above surface location to a depth of 11,300', which will create a drilling/spacing unit consisting of the NW/4NW/4 of said Section 20. I have attached for your review an AFE for the proposed well.

In the event you should want to participate in the drilling of the proposed well, I will provide for your review, your approval and your execution a 1982 AAPL Form operating agreement naming Nearburg Producing Company as the operator. A full description of the oil and gas leases, mineral interests and contractual interests that would be owned by each party under this proposal will be shown on Exhibit "A" to such operating agreement.

Nearburg believes this proposal is beneficial to all parties in that it allows for the prudent development of the lands, mineral interests and the preservation of the oil and gas leases involved. Should you not want to participate in the drilling of this well with your mineral interest, please contact the undersigned at (432) 818-2910 or kdixon@nearburg.com to discuss granting Nearburg Exploration Company, L.L.C. a mutually acceptable oil and gas lease covering your mineral interest. Accordingly, we ask that you respond to this proposal at your earliest convenience.

Very truly yours,

Nearburg Exploration Company, L.L.C.


Ken Dixon
Senior Landman

Attachment

Working Interest Owners
 West Lovington 20 № 1 Well
 387' FNL & 627' FWL Section 20
 T-17-S, R-37-E, N.M.P.M.
 Lea County, New Mexico

<u>Working Interest Owner</u>	<u>Working Interest</u>
Nearburg Exploration Company, L.L.C. P. O. Box 823085 Dallas, Texas 75382-3085	51.0277788%
OXY USA WTP, LP Attn: Patrick Sparks 5 Greenway Plaza, Suite 110 Houston, TX 77046	41.666667%
XTO Energy, Inc. Attn: Dylan Boyer 810 Houston Street Fort Worth, TX 76102	4.166667%
Isaac Family, LLP 5 Inverness Drive East Englewood, CO 80112	0.555555%
Quail Creek Royalty, LLC 13831 Quail Pointe Drive Oklahoma City, OK 73134	0.555555%
E G Energy, LLC 9204 Cherokee Lane Leawood, KS 66206	0.277778%
The Beveridge Company c/o Western Reserves Oil Company, Inc. 310 W. Wall Street, Suite 301 Midland, TX 79701	0.875000%
Realeza Del Spear c/o Spear Brothers Group Attn: Shane Spear 500 W. Texas Ave. Midland, TX 79701	0.87500%
TOTAL	<u>100.00000%</u>

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

February 21, 2013

OXY USA WTP, LP
Attn: Patrick Sparks
P. O. Box 4294
Houston, TX 77210-4294

Re: West Lovington Prospect
Lea County, New Mexico
Offer to Lease
NW/4 of Section 20,
T-17-S, R-37-E, N.M.P.M.

Gentlemen:

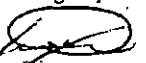
According to the records of Lea County, New Mexico, OXY USA WTP, LP (hereinafter referred to as "OXY") owns a five-twelve un-leased mineral interest in the referenced lands. Nearburg Producing Company has plans to drill an exploratory Strawn test located with the referenced lands within the next twelve month period. Nearburg Exploration Company, L.L.C. (hereinafter referred to as "NEX") currently owns a leasehold interest in the referenced lands and would like to acquire an oil and gas lease from OXY covering all its mineral interest in said lands. Nearburg would be interested in acquiring an oil and gas lease from OXY on a mutually acceptable lease form including a one (1) year term, a twenty-five percent (25%) royalty and one hundred eighty (180) day continuous development. NEX is prepared to offer a bonus consideration of two hundred and fifty dollars (\$250.00) per net mineral acre for the granting of the lease.

Should OXY be interested in leasing its mineral interest to NEX, please either 1) forward a copy of OXY's standard lease form for our review and approval or 2) review and approve the attached proposed lease form or 3) contact me to discuss this matter in greater detail.

Thank you for your consideration in this matter. Should you have any questions or want to discuss this in greater detail, please either give me a call at (432) 818-2910 or email me at kdixon@nearburg.com.

Sincerely,

Nearburg Exploration Company, L.L.C.


Ken Dixon
Senior Landman

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 21st day of February, 2013 between ONY USA WTP, LP, Lessor (whether one or more), whose address is: P. O. Box 4294, Houston, TX 77210-4294 and Nearthurg Exploration Company, L.L.C., (Lessee), whose address is P.O. Box 813085, Dallas, TX 75382, Lessee;

1. Lessor 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, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, 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 Lea County, New Mexico, to-wit:

Township 17 South, Range 37 East, N.M.P.M

Section 20: NW/4, containing 160 acres, more or less

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term of one (1) year from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipelines to which lessee may connect its wells, the equal one-fourth (1/4) part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-fourth (1/4) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-fourth (1/4) of the cost of treating oil to render it marketable pipeline oil; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee, one-fourth (1/4) of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, one-fourth (1/4) of the amount realized from the sale of gasoline or other products extracted there from and one-fourth (1/4) of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in ---- PAID DIRECTLY TO LESSOR AT LESSOR'S ABOVE ADDRESS ---- Bank at _____ or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

4. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oilwell which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms 'oil well' and 'gas well' shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, 'oil well' means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and 'gas well' means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term 'horizontal completion' means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 120 days prior to the end of the primary term, 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 120 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral 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 120 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 120 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral 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 330 feet of and draining the leased 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 pipe lines 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.

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 reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation reasonably to develop the leased premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, 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 or other mineral in paying quantities. If after the expiration of the primary term, 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.

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 right to enforce same and apply 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 this lease covers a less interest in the oil, gas, sulphur, or other minerals 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), or no interest therein, then the royalties, and other monies 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. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. 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. 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 any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, and 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 lease premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. In addition to and notwithstanding any other provision herein, if this Lease is in effect at the end of the primary term, it shall not terminate in whole or in part, regardless of whether production of oil or gas has been established at the end of the primary term, so long as Lessee is engaged in continuous drilling operations on the premises and, except as provided in this paragraph, so long thereafter as oil or gas is produced in paying quantities. "Continuous drilling operations" means the drilling of wells without more than one hundred eighty (180) days elapsing between the completion of one well and the commencement of operations for the drilling of the next succeeding well. For the purposes of interpretation of this provision, a well shall be determined to be commenced when such well is spudded, and a well shall be determined to be completed on the date reported as such to the State regulatory authority having jurisdiction of the drilling and operations of oil and gas wells as the date a well has been completed as a producing well, or the date on which a dry hole is plugged. Operations for the drilling of the first such well must be commenced: (1) if there is no well capable of producing oil or gas in paying quantities on the leased premises and if no well has been completed thereon as a dry hole within one hundred eighty (180) days before the end of the primary term, then on or before the end of the primary term; (2) if there is no well capable of producing oil or gas in paying quantities on the leased premises but a well has been plugged and abandoned as a dry hole within one hundred eighty (180) days before the end of the primary term, then within one hundred eighty (180) days after the plugging and abandonment of such dry hole; or (3) if at the end of the primary term there is a well capable of producing oil or gas in paying quantities on the leased premises, then within one hundred eighty (180) days after the end of the primary term. The time period between wells shall be cumulative, so that if Lessee uses less than one hundred eighty (180) days between the completion of one well and the commencement of the next succeeding well, the accumulated time may be used by Lessee to extend the one hundred eighty (180) day interval for commencing subsequent wells. The re-entry of any well located on the Lands and the prosecution of operations for drilling, deepening, plugging back, sidetracking, completing, recompleting, or reworking in the wellbore of such reentered well in a good faith effort to establish production of oil or gas from such wellbore shall be considered drilling operations for purposes of this paragraph, commencing on the date that tools used in the re-entry are in the wellbore. If multiple laterals are drilled from a single vertical wellbore, each such lateral shall be considered for a new well for purposes of this provision. If in the drilling of any well during such continuous drilling operations the hole is lost or junked, or Lessee is unable for any reason to complete the drilling of such well, Lessee may commence operations for the drilling of a substitute well at a location of Lessee's choice on the leased premises (or lands pooled therewith), and the drilling of such a substitute well shall be considered for all purposes to be equivalent to the drilling of the well that was lost or junked or otherwise not completed. The commencement or continuation of continuous drilling operations shall be at Lessee's option and shall not be considered an obligation or covenant of Lessee. If continuous drilling operations are not commenced within the time hereinbefore specified, or if, at any time after commencement of continuous drilling operations, more than one hundred eighty (180) days elapse between the completion of one well and the commencement of operations for the drilling of the next, this Lease, at the end of the period of time within which Lessee was required to commence a well, shall terminate as to all lands except those lands included within a proration unit established under the spacing and proration rules and regulations of any governmental body having jurisdiction for a well then capable of producing oil or gas in paying quantities or on which Lessee is then engaged in bona fide operations to establish or restore production of oil or gas; and this Lease shall also terminate at such time as to all depths deeper than one hundred feet (100') below the stratigraphic equivalent of the total depth drilled in the deepest well capable of producing oil or gas in paying quantities located on the leased premises (or lands pooled therewith). If this Lease is continued in force under the immediately preceding sentence as to a proration unit on which operations are being conducted in an effort to establish or restore production but on which there is no well then capable of producing oil or gas, this Lease shall likewise terminate upon cessation of such operations for a period of sixty (60) consecutive days unless such operations (on the same or an additional well or wells in the same proration unit) have resulted in the restoration or establishment of a well capable of producing oil or gas in paying quantities on such proration unit. Such proration units shall be designated by Lessee and shall be of such size and configuration as may be allowed by the spacing and well density rules and regulations of any governmental authority having jurisdiction; or if no size or configuration of proration units is specified by any governmental authority, such proration units shall be in the form of a square or rectangle as nearly and practical and shall contain forty (40) acres for each well producing oil and three hundred twenty (320) acres for each well producing gas or both gas and oil. Notwithstanding the termination of this Lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this Lease for all purposes described herein, together with easements and rights-of-way for roads, pipelines and other facilities on, over and across all of the leased premises, for access to and from the lands still subject to this Lease and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

LESSOR:
OXY USA WTP, LP

By: _____

Title: _____

ACKNOWLEDGMENTS

STATE OF NEW TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2013 by _____
_____, of OXY USA WTP, LP, a _____ limited liability company, as _____
_____.

Notary Public, State of: Texas
Notary's commission expires: _____

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

February 21, 2013

XTO Energy Inc.
Attn: Dan C. Foland
Land Manager Permian Basin
810 Houston Street
Fort Worth, TX 76102-6298

Re: West Lovington Prospect
Lea County, New Mexico
Offer to Lease
NW/4 of Section 20,
T-17-S, R-37-E, N.M.P.M.

Gentlemen:

According to the records of Lea County, New Mexico, XTO Energy Inc. (hereinafter referred to as "XTO") owns a one-eighteenth un-leased mineral interest in the referenced lands. Nearburg Producing Company has plans to drill a Strawn test located with the referenced lands within the next twelve month period. Nearburg Exploration Company, L.L.C. (hereinafter referred to as "NEX") currently owns a leasehold interest in the referenced lands and would like to acquire an oil and gas lease from XTO covering all its mineral interest in said lands. Nearburg would be interested in acquiring an oil and gas lease from XTO on a mutually acceptable lease form including a one (1) year term, a twenty-five percent (25%) royalty and one hundred eighty (180) day continuous development. NEX is prepared to offer a *bonus consideration of two hundred and fifty dollars (\$250.00) per net mineral acre for the granting of the lease.*

Should XTO be interested in leasing its mineral interest to NEX, please either 1) forward a copy of XTO's standard lease form for our review and approval or 2) review and approve the attached proposed lease form, or 3) contact me as shown below to discuss this matter in greater detail.

Thank you for your consideration in this matter. Should you have any questions or want to discuss this in greater detail, please either give me a call at (432) 818-2910 or email me at kdixon@nearburg.com.

Sincerely,

Nearburg Exploration Company, L.L.C.


Ken Dixon
Senior Landman

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 21st day of February, 2013 between NTO ENERGY INC., Lessor (whether one or more), whose address is: 810 Houston Street, Fort Worth, TX 76102-6298 and Nearburg Exploration Company, L.L.C., (Lessee), whose address is P.O. Box 823085, Dallas, TX 75382, Lessee;

1. Lessor 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, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, 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 Lea County, New Mexico, to-wit:

Township 17 South, Range 37 East, N.M.P.M

Section 20: NW/4, containing 160 acres, more or less

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term of one (1) year from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipelines to which lessee may connect its wells, the equal one-fourth (1/4) part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-fourth (1/4) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-fourth (1/4) of the cost of treating oil to render it marketable pipeline oil; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee, one-fourth (1/4) of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, one-fourth (1/4) of the amount realized from the sale of gasoline or other products extracted there from and one-fourth (1/4) of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in --- PAID DIRECTLY TO LESSOR AT LESSOR'S ABOVE ADDRESS --- Bank at or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.

4. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oilwell which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms 'oil well' and 'gas well' shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, 'oil well' means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and 'gas well' means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term 'horizontal completion' means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 120 days prior to the end of the primary term, 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 120 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral 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 120 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 120 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral 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 330 feet of and draining the leased 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 pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or ham 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 reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation reasonably to develop the leased premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, 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 or other mineral in paying quantities. If after the expiration of the primary term, 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.

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 right to enforce same and apply 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 this lease covers a less interest in the oil, gas, sulphur, or other minerals 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), or no interest therein, then the royalties, and other monies 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. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. 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. 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 any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, and 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 lease premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. In addition to and notwithstanding any other provision herein, if this Lease is in effect at the end of the primary term, it shall not terminate in whole or in part, regardless of whether production of oil or gas has been established at the end of the primary term, so long as Lessee is engaged in continuous drilling operations on the premises and, except as provided in this paragraph, so long thereafter as oil or gas is produced in paying quantities. "Continuous drilling operations" means the drilling of wells without more than one hundred eighty (180) days elapsing between the completion of one well and the commencement of operations for the drilling of the next succeeding well. For the purposes of interpretation of this provision, a well shall be determined to be commenced when such well is spudded, and a well shall be determined to be completed on the date reported as such to the State regulatory authority having jurisdiction of the drilling and operations of oil and gas wells as the date a well has been completed as a producing well, or the date on which a dry hole is plugged. Operations for the drilling of the first such well must be commenced: (1) if there is no well capable of producing oil or gas in paying quantities on the leased premises and if no well has been completed thereon as a dry hole within one hundred eighty (180) days before the end of the primary term, then on or before the end of the primary term; (2) if there is no well capable of producing oil or gas in paying quantities on the leased premises but a well has been plugged and abandoned as a dry hole within one hundred eighty (180) days before the end of the primary term, then within one hundred eighty (180) days after the plugging and abandonment of such dry hole; or (3) if at the end of the primary term there is a well capable of producing oil or gas in paying quantities on the leased premises, then within one hundred eighty (180) days after the end of the primary term. The time period between wells shall be cumulative, so that if Lessee uses less than one hundred eighty (180) days between the completion of one well and the commencement of the next succeeding well, the accumulated time may be used by Lessee to extend the one hundred eighty (180) day interval for commencing subsequent wells. The re-entry of any well located on the lands and the prosecution of operations for drilling, deepening, plugging back, sidetracking, completing, recompleting, or reworking in the wellbore of such reentered well in a good faith effort to establish production of oil or gas from such wellbore shall be considered drilling operations for purposes of this paragraph, commencing on the date that tools used in the re-entry are in the wellbore. If multiple laterals are drilled from a single vertical wellbore, each such lateral shall be considered for a new well for purposes of this provision. If in the drilling of any well during such continuous drilling operations the hole is lost or junked, or Lessee is unable for any reason to complete the drilling of such well, Lessee may commence operations for the drilling of a substitute well at a location of Lessee's choice on the leased premises (or lands pooled therewith), and the drilling of such a substitute well shall be considered for all purposes to be equivalent to the drilling of the well that was lost or junked or otherwise not completed. The commencement or continuation of continuous drilling operations shall be at Lessee's option and shall not be considered an obligation or covenant of Lessee. If continuous drilling operations are not commenced within the time hereinbefore specified, or if, at any time after commencement of continuous drilling operations, more than one hundred eighty (180) days elapse between the completion of one well and the commencement of operations for the drilling of the next, this Lease, at the end of the period of time within which Lessee was required to commence a well, shall terminate as to all lands except those lands included within a proration unit established under the spacing and proration rules and regulations of any governmental body having jurisdiction for a well then capable of producing oil or gas in paying quantities or on which Lessee is then engaged in bona fide operations to establish or restore production of oil or gas; and this Lease shall also terminate at such time as to all depths deeper than one hundred feet (100') below the stratigraphic equivalent of the total depth drilled in the deepest well capable of producing oil or gas in paying quantities located on the leased premises (or lands pooled therewith). If this Lease is continued in force under the immediately preceding sentence as to a proration unit on which operations are being conducted in an effort to establish or restore production but on which there is no well then capable of producing oil or gas, this Lease shall likewise terminate upon cessation of such operations for a period of sixty (60) consecutive days unless such operations (on the same or an additional well or wells in the same proration unit) have resulted in the restoration or establishment of a well capable of producing oil or gas in paying quantities on such proration unit. Such proration units shall be designated by Lessee and shall be of such size and configuration as may be allowed by the spacing and well density rules and regulations of any governmental authority having jurisdiction; or if no size or configuration of proration units is specified by any governmental authority, such proration units shall be in the form of a square or rectangle as nearly and practical and shall contain forty (40) acres for each well producing oil and three hundred twenty (320) acres for each well producing gas or both gas and oil. Notwithstanding the termination of this Lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress and egress from the lands still subject to this Lease for all purposes described herein, together with easements and rights-of-way for roads, pipelines and other facilities on, over and across all of the leased premises, for access to and from the lands still subject to this Lease and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.

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

LESSOR:
XTO ENERGY INC.

By: _____

Title: _____

ACKNOWLEDGMENTS

STATE OF NEW TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2013 by _____
_____, of XTO ENERGY INC., a _____ corporation.

Notary Public, State of: Texas
Notary's commission expires: _____