

SYNERGY OPERATING

COPY OF MINERAL DEED

and

OIL AND GAS

LEASES

BEFORE EXAMINER
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. _____

BEFORE EXAMINER
OIL CONSERVATION DIVISION
EXHIBIT NO. _____
CASE NO. _____

MINERAL DEED

THIS MINERAL DEED is made effective JULY 15, 2005 by and between DOLORES A. BEARDSLEY, whose mailing address is 617 Poplar Farmington, New Mexico 87401, hereinafter called "ASSIGNOR" and Synergy Operating, LLC. hereinafter referred to as "ASSIGNEES", whose mailing address is P.O. Box 5513, Farmington, New Mexico 87499. Sometimes both Assignor and Assignees will be referred to as "the parties".

WITNESSETH:

WHEREAS, ASSIGNOR owns an interest in and to certain minerals referred to as "ASSIGNED MINERALS", in the following lands: Lot Twelve (12) of the Larkspur Subdivision, in the City of Farmington, San Juan County, New Mexico according to the Plat thereof filed for record in the Office of the San Juan County Clerk on April 16, 1981, Book 1383, Page 4, being 617 Poplar Street Farmington, New Mexico located in the NW/4 NW/4 of section 22 Township 29 North, Range 13 West.

WHEREAS, ASSIGNOR agrees to sell all its right, title and interest in and to the ASSIGNED MINERALS and associated lands to ASSIGNEE".

NOW THEREFORE, in consideration of ten dollars and other good and valuable consideration the receipt of which is hereby acknowledged, ASSIGNOR does hereby transfer and assign unto ASSIGNEES all of ASSIGNOR'S right, title and interest in the ASSIGNED MINERALS and associated lands.

ASSIGNOR hereby agree to execute any additional paperwork that may be required, in the future, to effectuate the transfer of the interests covered by this Agreement.

ASSIGNOR hereby agrees to warrant and defend the title to said land as to ASSIGNEES' interest therein.

IN WITNESS WHEREOF, the parties hereto have executed this MINERAL DEED, effective the day first above written.

ASSIGNOR:

BY: *Dolores A. Beardsley*
Dolores A. Beardsley,
a single woman

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
 §
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 13th day of July, 2005 by Dolores A. Beardsley, to me known to be the person described in and who executed the foregoing Deed, and acknowledged that he executed same as her free act and deed.

My commission expires: July 25, 2007

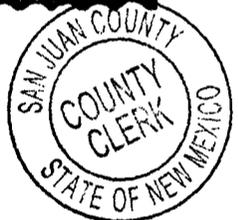
Jennifer Thomason
Notary Public

END OF ACKNOWLEDGMENT

PAGE 1 OF 1



200512488 07/14/2005 11:53A
1of1 B1413 P584 R 9.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT



B

OIL AND GAS LEASE

AGREEMENT made effective this 9th day of JUNE 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

Oil 2005
6/20/05



200511378 06/27/2005 02:45P
1of3 B1412 P498 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT KJ

CHAVEZ

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Susie Chavez
Susie Chavez
AKA SUSIE R. CHAVEZ
SS# 585-24-0350

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this 9 day of JUNE, 2005, before me personally appeared SUSIE R. CHAVEZ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that executed same free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

AUGUST 6, 2005



OFFICIAL SEAL
ROBERT LOWOOD
NOTARY PUBLIC
STATE OF NEW MEXICO

Robt Lowood

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511378 06/27/2005 02:45P
2of3 B1412 P498 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

CHAVEZ SUSIE ROSE
1120 BOWEN AVE
FARMINGTON NM, 87401-6606

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 1120 S BOWEN FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW NW | 0.2 |

Legal: BEG AT A PT WHICH IS 557 FT E
& 570 FT S OF NW COR NW NW
222913 THENCE E 90 FT N 165 FT,
W 90 FT, S 165 FT TO BEG. QC
B.573 P.101 LESS N65' TO
LUCERO



200511378 06/27/2005 02:45P
3of3 B1412 P498 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

CHAVEZ

OIL AND GAS LEASE

AGREEMENT made effective this 10th day of August 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200514456 08/10/2005 04:47P
1of3 B1415 P487 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

DIXON

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Jerry E. Dixon
Jerry Emel Dixon aka Jerry E. Dixon, aka Jerry Dixon
dealing in his sole and separate property

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 10th day of August, 2005, before me personally appeared Jerry Dixon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

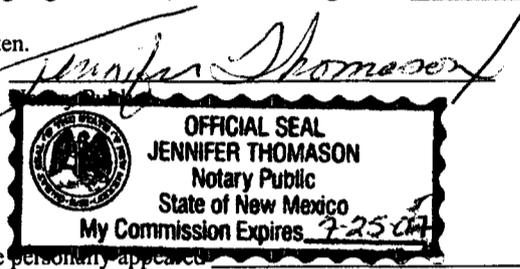
July 25, 2007

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:



Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200514456 08/10/2005 04:47P
2of3 B1415 P487 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

DIXON JERRY EMEL
401 CONCHO DR
FARMINGTON NM, 87401-6703

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 401 CONCHO PL FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.4511 |

Legal: TOTAH VISTA LOTS 12 & 13
7B.724 P.277 QCD B.854 P.280



200514456 08/10/2005 04:47P
3of3 B1415 P487 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 26th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir, ~~restricted to those formations from the surface to the base of the Pictured Cliffs horizons.~~ The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

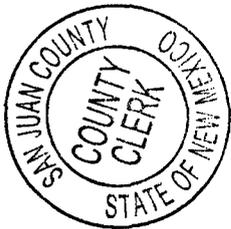
3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

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5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.



200514124 08/05/2005 02:47P
10f3 B1415 P155 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT *FW*

DODSON
DT. 11-10-05

Exhibit "A"

Legal Description

Attached to and made a part of that certain Oil and Gas Lease made effective July 26, 2005 by and between Lessor and Synergy Operating, LLC as Lessee.

LESSOR:

MATTHEW AND MARIA A. DODSON
1009 N BUTLER AVE, FARMINGTON, NM 87401-6848

PROPERTY ADDRESS:

1314 AND 1316 BLUFFVIEW AV. T29N R13W SEC. 22 NENW 0.5 A
FARMINGTON, NM 87401

LEGAL: BEG AT PT 99 FT N AND 220 FT W FROM SE CORNER OF NENW
22-29-13, W 220 FT, N 99 FT, E 220 FT, S 99 FT TO BEG.
B1368, P531

PROPERTY ADDRESS:

1320 S. BLUFFVIEW AV T29N R13W SEC. 22 NENW .36 A

LEGAL: BEG 282.7 FT W OF SE COR OF NE NW 22-29-13
THENCE N 99 FT, W 157.3 FT, S 99 FT, E 157.3 FT TO BEG.
B1369 P120


200514124 08/05/2005 02:47P
3of3 B1415 P155 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

REVISED EXHIBIT "A"

Legal Description

Attached to and made a part of that certain Oil and Gas Lease made effective July 26, 2005 by and between Lessor and Synergy Operating, LLC as Lessee.

LESSOR:

MATTHEW AND MARIA A. DODSON
1009 N BUTLER AVE, FARMINGTON, NM 87401-6848

PROPERTY ADDRESS:

1314 AND 1316 BLUFFVIEW AV. T29N R13W SEC. 22 NENW 0.5 A
FARMINGTON, NM 87401

LEGAL: BEG AT PT: 99 FT N AND 220 FT W FROM SE CORNER OF NENW
22-29-13, W 220 FT, N 99 FT, E 220 FT, S 99 FT TO BEG.
B1368, P531

PROPERTY ADDRESS:

1320 S. BLUFFVIEW AV T29N R13W SEC. 22 NENW .36 A

LEGAL: BEG 282.7 FT W OF SE COR OF NE NW 22-29-13
THENCE N 99 FT, W 157.3 FT, S 99 FT, E 157.3 FT TO BEG.
B1369 P120

OIL AND GAS LEASE

AGREEMENT made effective this 22nd day of June 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200511575 06/29/2005 11:57A
1 of 3 B1412 P695 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

Dominguez

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Philipita E. Manuel Dominguez

Philipita E. Manuel Dominguez

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

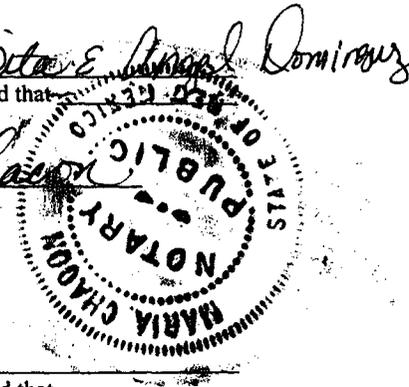
On this 22 day of June, 2005, before me personally appeared Philipita E. Manuel Dominguez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

May 29, 2007

Maria Chao
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511575 06/29/2005 11:57A
2of3 B1412 P695 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

DOMINGUEZ PHILAPITA AND ANGEL
615 POPLAR
FARMINGTON NM, 87401-7401

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 615 POPLAR ST FARMINGTON NM, 87401-0000 | 29 | 13 | 22 | NW NW | 0.1735 |

Legal: LARKSPUR SUB. LOT 13 B.1361
P.966


200511575 06/29/2005 11:57A
3of3 B1412 P695 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 2/26 day of JULY 20 05 by and between DUGAN PRODUCTION CORP., hereinafter called Lessor(s), whose address is P. O. Box 420., Farmington, New Mexico 87499. and SYNERGY OPERATING LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

Township 29 North, Range 13 West, N.M.P.M.
Section 22: SHADY GROVE AMENDED REPLAT OF LOTS 1,5,6,7,8, 11,12,13,
14,19 AND THE WEST 25 FT OF LOT 2 BLK 2,
AND A PORTION OF 222913 LOT 1 02 B883/P413

and containing 4.00 acres, more or less.

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of four (4) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

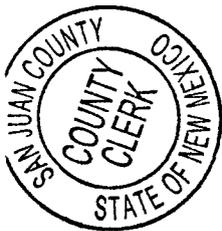
8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

SIGN & RETURN

THIS COPY

200513198 07/25/2005 02:51P
 10f2 B1414 P290 R 11.00 D 0.00
 San Juan County, NM Clerk FRAN HANHARDT



10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

DUGAN PRODUCTION CORP.
Thomas A. Dugan
THOMAS A. DUGAN, PRES.

ACKNOWLEDGMENTS

STATE OF _____)
COUNTY OF do) §

On this do day of do, 2005, before me personally appeared do to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) §

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) §

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF New Mexico)
COUNTY OF San Juan) §

The foregoing instrument was acknowledged before me this 21 day of July, 20 05, by Thomas A. Dugan, President of Dugan Production Corporation on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

3/4/08

Connie L. Raczek
Notary Public

END OF ACKNOWLEDGMENTS



OIL AND GAS LEASE

AGREEMENT made effective this 5th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200513362 07/26/2005 03:25P
1of3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

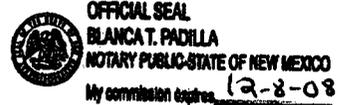
12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

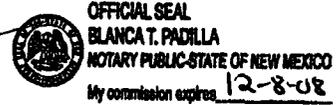
Gail S. Duke
David S. Duke

ACKNOWLEDGMENTS

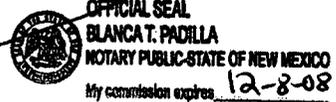
STATE OF New Mexico)
COUNTY OF Dona Ana)
On this 5th day of July, 2005, before me personally appeared Gail S. Duke
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____
executed same _____ free act and deed.
Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



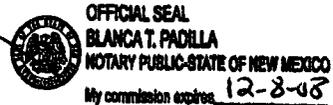
STATE OF New Mexico)
COUNTY OF Dona Ana)
On this 5th day of July, 2005, before me personally appeared David S. Duke
to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____
executed same _____ free act and deed.
Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



du STATE OF New Mexico)
COUNTY OF Dona Ana)
The foregoing instrument was acknowledged before me this 5th day of July, 20 05, by _____
of _____ on behalf of said _____
Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



du STATE OF New Mexico)
COUNTY OF Dona Ana)
The foregoing instrument was acknowledged before me this 5th day of July, 20 05, by _____
of _____ on behalf of said _____
Witness my hand and seal the day and year last above written. Blanca J. Padilla
My Commission Expires: Dec 8, 2008
Notary Public



END OF ACKNOWLEDGMENTS

200513362 07/26/2005 03:25P
2of3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

DUKE DAVID S AND GAIL S
446 EASY LIVING DR
LAS CRUCES NM, 88005-8005

Property Address

409 E SPRUCE ST
FARMINGTON NM, 87401-0000

| <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|-----------------|--------------|----------------|---------------|--------------|
| 29 | 13 | 22 | NW NW | 0.1457 |

Legal: FRYAR TRACT LOT 5 B.1328
P.348


200513362 07/26/2005 03:25P
3of3 B1414 P454 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 20 day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and tracking information: 200511380 06/27/2005 02:45P 1of3 B1412 P500 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT KJ

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Bobby Leon Easley

Marlen D. Easley

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF SANDOVAL)

On this 20th day of June, 2005, before me personally appeared Bobby Leon Easley to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same as his free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

[Signature]
Notary Public

STATE OF NEW MEXICO)

COUNTY OF SANDOVAL)

On this 20th day of June, 2005, before me personally appeared MARLEN D. EASLEY to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed same as her free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

[Signature]
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

END OF ACKNOWLEDGMENTS

200511380 06/27/2005 02:45P
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San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

LEGAL DESCRIPTION:

TOWNSHIP 29 NORTH, RANGE 13 WEST, SECTION 22,
BEG S33*42'E 2382.96 FT FROM NW COR 222913 TH E 433.41 FT, S 1979.56 FT, W 433.39 FT, N
1977.18 FT TO BEG. B.1135 P.930 - 19.68 ACRES

LESSOR'S ADDRESS:

BOBBY LEON EASLEY

4 SANDY LANE
PLACITAS, NM 87043

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE MADE EFFECTIVE OF
20th DAY OF June, 2005 BY AND BETWEEN LESSOR AND SYNERGY
OPERATING, LLC AS LESSEE.


200511380 06/27/2005 02:45P
3of3 B1412 P500 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 16th day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five ~~4~~ ⁴ years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200511381 06/27/2005 02:45P
1of3 B1412 P501 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT



KJ

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

David L. Eastley

6-17-05

Norman J. Eastley

6-17-05

ACKNOWLEDGMENTS



STATE OF New Mexico

COUNTY OF San Juan

On this 17th day of June, 2005, before me personally appeared David L. Eastley + Norman J. Eastley to be known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: 2-4-07

Jackie A. Bailey
Notary Public

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

END OF ACKNOWLEDGMENTS



200511381 06/27/2005 02:45P
2of3 B1412 P501 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT A

Attached to and made a part of that certain Oil and Gas Lease made effective June 16th, 2005 by and between David L. Easley, et ux, Lessor and Synergy Operating, LLC as Lessee.

TOWNSHIP 29 NORTH, RANGE 13 WEST, SECTION 22

BEG S 33'42" E 2382.96 FT AND E 433.41 FT FROM
NW COR 222913 EAST 434.07 FT,
S 1981.95 FT W 431.71 FT,
N 1979.56 FT TO BEG.
B 1135 P 173 - 19.68 ACRES

BEG 427.05 FT E OF NW COR SESW 222913 TH S 206.80 FT,
N 84.42 E 118.95 FT, N 195.98 FT, W 118.44 FT TO BEG.
B 1199 P 572 - TRACT 7 - .547 ACRES



200511381 06/27/2005 02:45P
3of3 B1412 P501 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 14th day of JULY 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and **SYNERGY OPERATING LLC** hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

**SIGN & RETURN**TWC *Jman*

200513200 07/25/2005 02:51P

B1414 P292 R 13.00 D 0.00

County, NM Clerk FRAN HANHARDT

KJ

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Daniel Frias Jr.
DANIEL FRIAS JR.

Blanca E. Frias
BLANCA E. FRIAS

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this _____ day of _____, 2005, before me personally appeared Daniel Frias Jr. to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this 14th day of JULY, 2005, before me personally appeared DANIEL FRIAS JR. AND BLANCA E. FRIAS to me known to be the person described in and who executed the foregoing instrument, and acknowledged that They executed same SAME free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

Jennifer Thomason
Notary Public



STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS



200513200 07/25/2005 02:51P
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San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

FRIAS DANIEL AND BLANCA
820 E SPRUCE
FARMINGTON NM, 87401-7401

Property Address

820 E SPRUCE ST
FARMINGTON NM, 87401-7401

Township Range Section QtrQtr Acres

29 13 22 NE NW 0.1405

Legal: SHADY GROVE SUB NO.3 LOT
10 B.1309 P.859 B.1379 P.232



200513200 07/25/2005 02:51P
3of3 B1414 P292 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 11th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200514123 08/05/2005 02:47P
1of3 B1415 P154 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

R. GARCIA

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Raul P. Garcia
Fabiola Garcia

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF Bernalillo)

On this 2nd day of July, 2005, before me personally appeared Raul P. Garcia & Fabiola Garcia to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

12/18/05

Patricia Garcia
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200514123 08/05/2005 02:47P
2of3 B1415 P154 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

REVISED EXHIBIT "A"

Legal Description

Attached to and made a part of that certain Oil and Gas Lease made effective
July 2, 2005 by and between Lessor and Synergy
Operating, LLC as Lessee.

LESSOR:

RAUL GARCIA
CARLSON RD NO. 2 C
SANTA FE, NM 87508-7508

PROPERTY ADDRESS:

1600 S. BUTLER
FARMINGTON, NM 87401

LEGAL: BEG N 1241.8 FT AND W 20 FT AND N 60.47 W 125.6 FT
FROM SE CORNER NWSW 222913, THENCE N 60.47 W 59.9 FT,
N 115 FT, S 60.54 E 59.85 FT, S 115.5 FT TO BEG.
B 1018 P 26. .14 A AND

BEG N 1444.88 FT AND W 183.91 FT FROM SE COR NWSW 222913,
THENCE S 115 FT, N 60.47 W 48.90 FT, N 65.24 W 41.12 FT,
N 100 FT, S 72.09 E 84.82 FT TO BEG. - .19 A
B 919 P 5, B 888 P29


200514123 08/05/2005 02:47P
3of3 B1415 P154 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 10th day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and recording information: 200512110 07/08/2005 03:04P 1of3 B1413 P206 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT

Handwritten signature: Gonzales, L. Ferris

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Soterino Gonzalez

ACKNOWLEDGMENTS

STATE OF New Mexico)

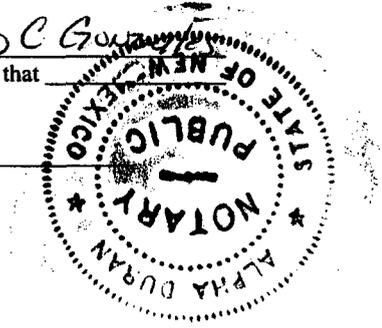
COUNTY OF San Juan)

On this 10th day of June, 2005, before me personally appeared Soterino C Gonzalez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: June 12, 2008

Alpha Duran
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

END OF ACKNOWLEDGMENTS

200512110 07/08/2005 03:04P
2of3 B1413 P206 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

GONZALES SEFERINO C ET AL
1109 S BUTLER AVE
FARMINGTON NM, 87401-6643

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 1109 S BUTLER AVE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NE NW | 0.1527 |

Legal: REPLAT SHADY GROVE SUB OF
LOTS 5-6-7 BLK 1 LOT 7 1 B.895
P.233 LESS 5 FT B.1127 P.242
B.1314 P.600 ASSIGN B.1262 P.57


200512110 07/08/2005 03:04P
3of3 B1413 P206 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 6th day of July 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



This document received as altered for recordation 7/14/05



200512491 07/14/2005 11:53A 1of3 B1413 P587 R 13.50 D 0.00 San Juan County, NM Clerk FRAN HANHARDT

Gada, Jeremiah

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease. LIMITED TO SEC 22

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Timothy Gordon
Patrick Gordon

Kenneth W. Gordon

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

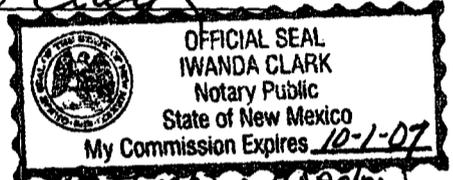
On this 10th day of July, 2005, before me personally appeared Timothy Gordon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same did free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

10-1-2007

Iwanda Clark
Notary Public



STATE OF New Mexico)

COUNTY OF San Juan)

On this 10th day of July, 2005, before me personally appeared Patrick Gordon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same did free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

10-1-2007

Iwanda Clark
Notary Public



STATE OF New Mexico)

COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 7th day of July, 2005, by Kenneth W. Gordon of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Patrick Bettall
Notary Public

STATE OF New Mexico)

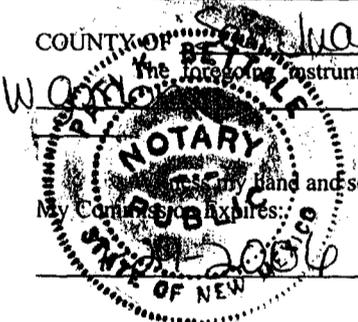
COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 7th day of July, 2005, by Kenneth of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Patrick Bettall
Notary Public



END OF ACKNOWLEDGMENTS

200512491 07/14/2005 11:53A
2of3 B1413 P587 R 13.50 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

GORDON TIMITHY LEE ET AL
408 SPRUCE
FARMINGTON NM, 87401-6634

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 408 E SPRUCE ST FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW NW | 0.45 |

Legal: BEG AT A PT 878 FT S & 550 FT E
FR NW COR 222913 E 119 FT, S
160 FT, W 119 FT, N 160 FT TO
BEG. B.1269 P.46


200512491 07/14/2005 11:53A
3of3 B1413 P587 R 13.50 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 26th day of July 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and recording information: 200513364 07/26/2005 03:25P 1of3 B1414 P456 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT

HARRIS

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Janet Harris
JANET HARRIS A/K/A
JANET C. HARRIS

Charles A. Harris
CHARLES A. HARRIS

STATE OF NEW MEXICO)
§
COUNTY OF SAN JUAN)

ACKNOWLEDGMENTS

On this 26th day of JULY, 2005, before me personally appeared CHARLES H AND Janet Harris to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same their free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

July 25, 2007
STATE OF _____)
§
COUNTY OF _____)



A/K/A
Janet
C.
Harris
husband
and
wife

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)
§
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)
§
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200513364 07/26/2005 03:25P
2of3 B1414 P456 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

HARRIS CHARLES H
1303 S BUTLER AVE
FARMINGTON NM, 87401-6647

Property Address

1303 S BUTLER AVE
FARMINGTON NM, 87401-7401

Township Range Section QtrQtr Acres

29 13 22 NE NW 0.3182

Legal: SHADY GROVE NO.2 LOTS 2 & 3
1 B.740 P.590


200513364 07/26/2005 03:25P
3of3 B1414 P456 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 20th day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

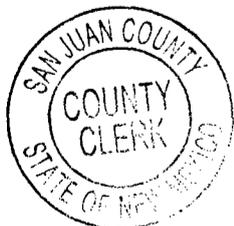
5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and recording information: 200512111 07/08/2005 03:04P 1of3 B1413 P207 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT

Handwritten signature: Herrera, Don

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

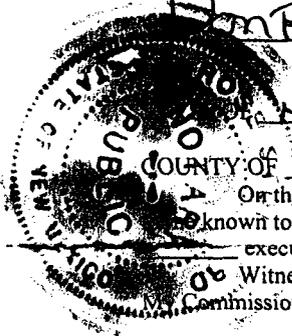
Don R Herrera

Priscilla M. Herrera

Don R Herrera

Priscilla Herrera

ACKNOWLEDGMENTS



STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)

On this 20th day of June, 2005, before me personally appeared Don & Priscilla Herrera known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written
My Commission Expires:

Rose Stoddard
Notary Public

Sept 2nd, 08

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200512111 07/08/2005 03:04P
2of3 B1413 P207 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

HERRERA DON R ET UX
809 SYCAMORE ST
FARMINGTON NM, 87401-6669

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 809 SYCAMORE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | SE NW | 0.1802 |

Legal: ODAFFER SUB LOT 11 01B.895
P.187


200512111 07/08/2005 03:04P
3of3 B1413 P207 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 8th day of JULY 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and SYNERGY OPERATING LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

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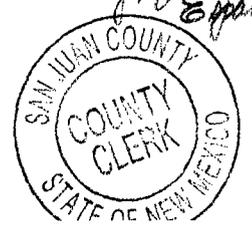
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*3d 5/1/00
7/8/05
Marty and Ann
Munoz*

*Martinez, Juan
Eppas*

200512489 07/14/2005 11:53A
1of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT **B**



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12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Juan D. Martinez
Juan D. Martinez

Rita V. Martinez
Rita V. Martinez

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 8th day of July, 2005, before me personally appeared Juan D. & Rita V. Martinez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same their free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:



Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

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Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200512489 07/14/2005 11:53A
2of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

MARTINEZ JUAN D JR ET UX
P O BOX 2124
ESPANOLA NM, 87532-7532

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| GRAHAM RD FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NE NW | 0.4591 |

Legal: GARDEN ACRES SUBD LOT 18
B.1260 P.561 B.1326
P.325


200512489 07/14/2005 11:53A
3of3 B1413 P585 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 18 day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

200511384 06/27/2005 02:45P
1of3 B1412 P504 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT



22

Monting

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Roger R. Martinez

ACKNOWLEDGMENTS

STATE OF New Mexico)

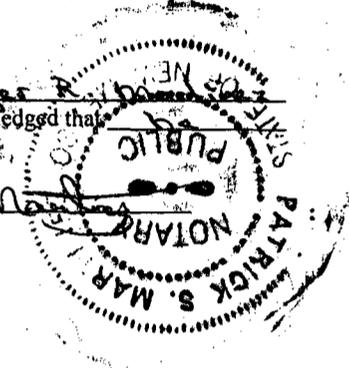
COUNTY OF San Juan)

On this 18th day of June, 2005, before me personally appeared Roger R. Martinez to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed same as free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Sept 27, 2005

Patrick S. Mahon
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511384 06/27/2005 02:45P
2of3 B1412 P504 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

MARTINEZ ROGER R
1437 YORK
FARMINGTON NM, 87401-7401

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---------------------------------|-----------------|--------------|----------------|---------------|--------------|
| 1437 YORK AVE FARMINGTON NM, | 29 | 13 | 22 | SE NW | 0.2763 |

Legal: ODAFFER SUBDIVISION LOTS 7
AND 8 BLOCK 03 B.1283 P.473



200511384 06/27/2005 02:45P
3of3 B1412 P504 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 4th day of August 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and **SYNERGY OPERATING LLC** hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale; (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises, and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



58 08/10/2005 04:47P
15 P489 R 13.00 D 0.00
County, NM Clerk FRAN HANHARDT



R. NORTON

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Robert K. Norton
ROBERT K. NORTON

Venna J. Norton
VENNA J. NORTON

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

On this 4th day of August, 2005, before me personally appeared ROBERT K. & VENNA NORTON to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same their free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

STATE OF _____)

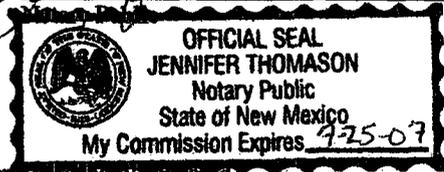
COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Jennifer Thomason



Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200514458 08/10/2005 04:47P
2of3 B1415 P489 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

NORTON ROBERT K ET AL
515 TAOS AVE
FARMINGTON NM, 87401-6749

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 503 TAOS AVE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.2431 |

Legal: TOTAH VISTA LOT 4 06B.1205
P.860

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 515 TAOS AVE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.246 |

Legal: TOTAH VISTA SUBDIVISION
LOT 5 06B.1026 P.352



200514458 08/10/2005 04:47P
3of3 B1415 P489 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 22ND day of July 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200513363 07/26/2005 03:25P
1of3 B1414 P455 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Cleo Norton Julia A. Gonzalez
CLEO NORTON a/k/a CLEO R. NORTON JULIA A GONZALES a/k/a JULIA A. Hefner

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 22 day of July, 2005, before me personally appeared CLEO NORTON a/k/a CLEO R. NORTON and JULIA A GONZALES a/k/a JULIA A Hefner to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed same their free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007

Jennifer Thomason
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200513363 07/26/2005 03:25P
2of3 B1414 P455 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

NORTON CLEO ET AL
511 CONCHO DR
FARMINGTON NM, 87401-6765

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 511 CONCHO DR FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.2513 |

Legal: TOTAH VISTA SUB LOT 23
07B.1205 P.861

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 511 1/2 CONCHO DR FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.1499 |

Legal: TOTAH VISTA PART OF LOT 22
07B.1207 P.520


200513363 07/26/2005 03:25P
3of3 B1414 P455 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 10th day of August 2005 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC, hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200514767 08/16/2005 08:43A
1of3 B1415 P798 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

YOUR FILE COPY

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Mabel C Penn
PENN MABEL aka Penn C, Mabel

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 10th day of August, 2005, before me personally appeared Mabel C. Penn to me known to be the person described in and who executed the foregoing instrument, and acknowledged that She executed same as her free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:

July 25, 2007

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.
My Commission Expires:



Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.
My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200514767 08/16/2005 08:43A
2of3 B1415 P798 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

JACQUEZ TONY I
~~CO~~ PENN MABEL
P O BOX 3833
FARMINGTON NM, 87499-3833

Property Address

FARMINGTON NM, 87401-7401

| <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|-----------------|--------------|----------------|---------------|--------------|
| 29 | 13 | 22 | NW NW | 0.25 |

Legal: BEG 820 FT S OF NW COR 222913
E 184 FT; S 60 FT; W 184 FT; N 60
FT TO BEG. ALSO: 10 FT R/W IN
B.1138 P.668 B.1209 P.827 ESC
B.1252 P.867


200514767 08/16/2005 08:43A
3of3 B1415 P798 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 17th day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or foreclosure, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties received under the terms of this Lease.



200511385 06/27/2005 02:45P
1of3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

KJ



Pope

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Troy L. Pope
Troy L. Pope

Pauline Pope
Pauline Pope

ACKNOWLEDGMENTS

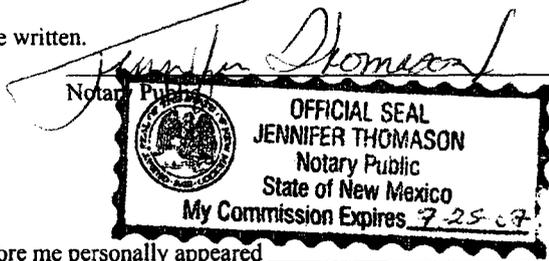
STATE OF New Mexico)
§
COUNTY OF San Juan)

On this 17th day of June, 2005, before me personally appeared Troy & Pauline Pope to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ✓ executed same ✓ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

July 25, 2007



STATE OF _____)
§
COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)
§
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)
§
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

200511385 06/27/2005 02:45P
2of3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

POPE TROY L ET AL
4315 W HOPI
FARMINGTON NM, 87401-7401

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 1403 BLUFFVIEW AVE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | SE NW | 0.1941 |

Legal: BLUFFVIEW-REPLAT B LOT 2B
B.1310 P.196/198

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|---|-----------------|--------------|----------------|---------------|--------------|
| 816 TAMARACK FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | SE NW | 0.1941 |

Legal: BLUFFVIEW-REPLAT B LOT 7B
B.1310 P.196-198


200511385 06/27/2005 02:45P
3of3 B1412 P505 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 16 day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversory rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

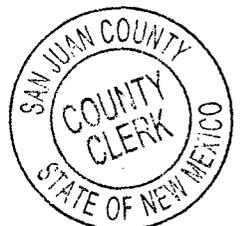
6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.

200512492 07/14/2005 11:53A
1 of 3 B1413 P588 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT



Does not own Min on Head H.
Possibly less min. on 36 A

22
Roberts, Melvin
Need wife's signature

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Melvin P. Roberts

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF San Juan)

On this 16th day of June, 2005, before me personally appeared Melvin P. Roberts to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

2-14-07

Krista K. Flores
Notary Public



OFFICIAL SEAL
KRISTA K. FLORES
NOTARY PUBLIC
STATE OF NEW MEXICO

My Commission Expires: 2-14-07

STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS



200512492 07/14/2005 11:53A
2of3 B1413 P588 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

EXHIBIT "A"

ROBERTS MELVIN P ET UX
2317 E 17TH ST
FARMINGTON NM, 87401-7528

Property Address

1817 S BUTLER AVE
FARMINGTON NM, 87401-0000

Township Range Section QtrQtr Acres

29 13 22 NW SW 0.36

Legal: BEG AT SE COR OF NWSW
222913 TH W 196.11 FT, N23°42'E
11.59 FT, N 12.43 FT, N30°54'E
13.98 FT, N01°44'E 45.23 FT, E
143.51 FT, N87°24'E 39.99 FT, S 84
FT TO BEG. B.1265 P.743

Property Address

980 HEAD ST
FARMINGTON NM, 87401-0000

Township Range Section QtrQtr Acres

29 13 22 SE SW 0.747

Legal: BEG W 165 FT FROM NE COR
SESW 222913 TH S15°W 84.47 FT,
S66°21'W 192 FT, S84°42'W 9.92
FT, N 159.24 FT, E 207.19 FT TO
BEG. TR 2, ALSO BEG AT NE
COR SESW 222913 TH S64°44'W
191.70 FT, N15°E 84.47 FT, E 151.50
FT TO BEG. TR. 12 B.1142 P.595


200512492 07/14/2005 11:53A
3of3 B1413 P588 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 14th day of JUNE 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and text: 200511386 06/27/2005 02:45P 1of3 B1412 P506 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT KJ

22 Scott

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Linda D. Scott

ACKNOWLEDGMENTS

STATE OF New Mexico)

COUNTY OF SAN JUAN)

On this 14th day of JUNE, 2005, before me personally appeared LINDA D. Scott to me known to be the person described in and who executed the foregoing instrument, and acknowledged that LINDA D. Scott executed same OF free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: 11/23/2006

Wanda Sanders
Notary Public



STATE OF _____)

COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires: _____

Notary Public

END OF ACKNOWLEDGMENTS

200511386 06/27/2005 02:45P
2of3 B1412 P506 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

Exhibit "A"

Legal Description:

Attached to and made a part of that certain Oil and Gas Lease made effective 07-14-05 by and between Troy R. Strickland, et al, Lessor and Synergy Operating, LLC as Lessee.

TOWNSHIP 29 NORTH, RANGE 13 WEST, SECTION 22

570 ft X 560 ft in SE corner of NW NW 222913

B787 P506


200513201 07/25/2005 02:51P
3of3 B1414 P293 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 6th day of August 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and SYNERGY OPERATING LLC hereinafter called Lessee, whose mailing address is: P. O. Box 5513, Farmington, New Mexico 87499 Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

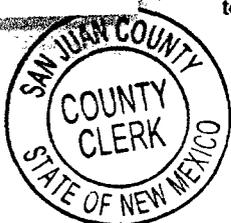
5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



200514455 08/10/2005 04:47P
 1of3 B1415 P486 R 13.00 D 0.00
 San Juan County, NM Clerk FRAN HANHARDT

**SIGN & RETURN
 THIS COPY**

TREAT

Exhibit "A"

Legal Description

Attached to and made a part of that certain Oil and Gas Lease made effective August 6th, 2005 by and between Lessor and Synergy Operating, LLC as Lessee.

HELEN TREAT
124 BARRIO
ANTHONY, NM 88021

:

TOWNSHIP 29 NORTH, RANGE 13 WEST
SECTION 22 - W/2

LEGAL:

NW/4 SW/4, AND SOUTH 12 RODS OF THE SW/4 NW/4, excepting approximately 1 Acre Tract.

45 GROSS ACRES AND 5.625 NET ACRES


200514455 08/10/2005 04:47P
3of3 B1415 P486 R 13.00 D 0.00
San Juan County, NM Clerk FRAN HANHARDT

OIL AND GAS LEASE

AGREEMENT made effective this 23 day of June 20 05 by and between the undersigned hereinafter called Lessor(s), whose address for notice purposes is set out on the attached EXHIBIT and Synergy Operating, LLC. hereinafter called Lessee, whose mailing address is: P. O. Box 5513 Farmington, New Mexico 87499.

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including but not limited to: the royalties provided herein, and the covenants of the Lease, the receipt of which are hereby acknowledged, Lessor hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting Oil and Gas together with all rights, privileges and easements useful for lessee's operations on said land and on land in the same field with a common Oil and Gas Reservoir. The Phrase "Oil and Gas" as used herein includes all hydrocarbons and other substances produced therewith. The land included in this Lease is situated in the State of New Mexico, San Juan County and is described as follows:

See the description of leased lands contained in the attached Exhibit

and containing the net acres set out on the attached Exhibit, including all Oil and Gas and substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein. This lease covers all the Interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption Laws. Lessee will investigate whether Lessor has any claim to prior production from oil and gas wells previously drilled that should have included Lessor's acreage described herein. If such investigation determines that Lessor is entitled to share in the production from such previously drilled wells, Lessor would receive royalty, as set out herein below, and Lessee would receive its share of production, less Lessor's royalty. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This Lease shall remain in force for a period of five (5) years from this date, called "primary term", and as long thereafter as Oil, Gas or other Hydrocarbons and substances produced therewith are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. Should Lessee breach any provision of this Lease, or at any time fail to perform fully any obligation hereunder, the Lessor shall have the right to terminate this Lease and render it null and void if such breach, is not addressed within thirty (30) days after Lessor has given Lessee written notice.

3. Lessee shall pay royalties free of costs and expense of development and operation, except taxes on production, to Lessor as follows: (a) fifteen percent (15%) of the Oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected: Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline: (b) the market value at the well of fifteen percent (15%) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be fifteen percent (15%) of the amount realized from such sale: (c) fifteen percent (15%) of the amount realized from the sale of any other substances produced from said land with Oil and Gas. Lessee may use, free of royalty, oil, gas, and water for all operations hereunder.

4. This is a PAID UP LEASE; there is no yearly rental payment that is due. If at the expiration of the Primary Term oil and/or gas is not capable of being produced on said land, or from land pooled therewith, but Lessor is engaged in drilling, or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the Primary Term, the lease shall remain in force so long as operations on said well, or well, or for drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the well being capable of production of oil or gas, or so long thereafter as oil or gas is produced from said land, or from land pooled therewith.

5. Lessee may at any time or times pool any part or all of said land and Lease or any stratum or strata, with other lands and Leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor. Drilling or re-working operations upon or production from any part of such spacing unit shall be considered for all purposes of this Lease as operations or productions from this Lease. Lessee shall allocate to this Lease the proportionate share of production, which the acreage in this Lease included in any such spacing unit, bears to the total acreage in said spacing unit. Lessee may not unitize any part of said land and Lease, or any stratum or strata, with other lands and Leases in the same field without the expressed written permission of the Lessor.

6. Lessee may, in the interest of economy, commingle production from this Lease with production from one or more Leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective Leases commingled.

7. No well, road or pipeline shall be placed on Lessor's land without the express written consent of the Lessor.

8. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or re-working operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any Federal or State law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations 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 and such cause from conducting drilling (which shall include the inability of lessee, through no fault of its own, to obtain sufficient and satisfactory material and equipment), or re-working operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

9. Lessor warrants title to said land as to Lessor's interest therein. The royalties provided for are determined with respect to the entire mineral estate in Oil and Gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser, any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any royalties accruing under the terms of this Lease.



Barcode and recording information: 200515322 08/24/2005 12:09P 1of3 B1416 P350 R 13.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT

K

10. This Lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the Lease or not.

11. Lessee shall have the right to conduct an examination of the county records for the purpose of the verification of Lessor's ownership of the oil and gas rights under the lands, which are the subject of this lease. If that examination reveals that Lessor owns oil and gas rights in lands not covered by the Lease, then Lessor shall lease those rights to Lessee at the same consideration and on the same terms, conditions and provisions applicable to the original lease.

12. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor and Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Jose D. Valencia

STATE OF New Mexico
COUNTY OF SAN JUAN

ACKNOWLEDGMENTS

On this 23 day of June, 2005, before me personally appeared Jose D. Valencia to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

8/15/2008



OFFICIAL Notary Public
KATHLEEN M. GIGUERRE
NOTARY PUBLIC - STATE OF NEW MEXICO

My Commission Expires: 8/15/08

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 2005, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed same _____ free act and deed.

Witness my hand and seal the day and year last above written.

My Commission Expires:

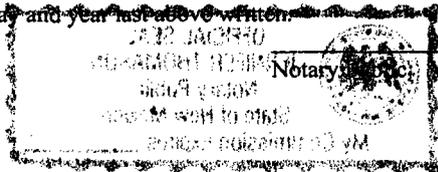
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:



STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 05, by _____ of _____ on behalf of said _____.

Witness my hand and seal the day and year last above written.

My Commission Expires:

Notary Public

END OF ACKNOWLEDGMENTS

EXHIBIT "A"

VALENCIA JOSE D
307 OURAY AVE
FARMINGTON NM, 87401-6708

| <i>Property Address</i> | <i>Township</i> | <i>Range</i> | <i>Section</i> | <i>QtrQtr</i> | <i>Acres</i> |
|--|-----------------|--------------|----------------|---------------|--------------|
| 307 OURAY AVE FARMINGTON NM, 87401-7401 | 29 | 13 | 22 | NW SW | 0.2436 |

Legal: TOTAH VISTA SUB LOT 5
02B.558 P.97