

NEW MEXICO STATE LAND OFFICE  
COMMISSIONER OF PUBLIC LANDS  
NEW MEXICO STATE LAND OFFICE BUILDING  
P.O. BOX 1148, SANTA FE, NM 87504-1148

## AGRICULTURAL LEASE

LEASE NO. GT2533

THIS LEASE, DATED OCTOBER 01, 2003 , IS ENTERED INTO BY AND BETWEEN THE COMMISSIONER OF PUBLIC LANDS, NEW MEXICO STATE LAND OFFICE, STATE OF NEW MEXICO, HEREINAFTER CALLED "LESSOR" AND:

MERCHANT LIVESTOCK COMPANY

HEREINAFTER CALLED "LESSEE(S)", WHOSE ADDRESS OF RECORD IS:

PO BOX 1166  
CARLSBAD, NM 88220

LESSOR AND LESSEE AGREE AND COVENANT AS FOLLOWS:

## 1. LEASE.

FOR AND IN CONSIDERATION OF AND SUBJECT TO THE RENTALS AND THE TERMS, COVENANTS, CONDITIONS, AGREEMENTS, OBLIGATIONS, AND RESERVATIONS CONTAINED IN THIS LEASE AND ALL OTHER EXISTING RIGHTS, LESSOR GRANTS AND LEASES TO LESSEE AND LESSEE TAKES FROM LESSOR THE TRACT(S) OF LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

## 2. TERM.

THE TERM OF THIS LEASE SHALL BEGIN ON OCTOBER 01, 2003 AND SHALL EXPIRE AT MIDNIGHT SEPTEMBER 30, 2008.

## 3. RENT.

THE ANNUAL RENTAL SHALL NOT BE LESS THAN THE MINIMUM RENTAL ESTABLISHED BY SECTION 19-7-29 NMSA 1978 AND SHALL BE PAID IN ADVANCE FOR EACH LEASE YEAR AND RECEIVED IN THE STATE LAND OFFICE ON OR BEFORE OCTOBER 1. THE ANNUAL RENTAL FOR GRAZING LAND SHALL BE DETERMINED AS FOLLOWS :  $\text{ANNUAL RENTAL} = \text{BASE VALUE} \times \text{CARRYING CAPACITY} \times \text{ACREAGE} \times \text{ECONOMIC VARIABLE INDEX (EVI)}$ , AS DEFINED BY SLO RULE 8 "RELATING TO AGRICULTURAL LEASES" (19 N.M.A.C. 3, SLO 8.11). IN NO EVENT SHALL THE PRODUCT OF THE APPLICATION OF THE EVI, FOR EACH SUCCESSIVE YEAR OF THE LEASE TERM, BE DECREASED OR INCREASED BY MORE THAN THIRTY-THREE AND ONE-THIRD PERCENT. IN THE CASE OF GRAZING RENTAL OFFERS ON OPEN ACREAGE OR PURSUANT TO COMPETITIVE BID, LESSOR MAY ACCEPT GREATER RENTAL AMOUNTS THAN THOSE DETERMINED BY THE FOREGOING FORMULA, BUT THE ANNUAL GRAZING RENTAL DUE IN ANY LEASE YEAR SHALL NOT BE LESS THAN THE FORMULA AMOUNT. THE ANNUAL RENTAL FOR CULTIVATED LAND, ASSOCIATED LAND AND CONSERVATION RESERVE PROGRAM LAND SHALL BE DETERMINED BY LESSOR AND SHALL REMAIN UNCHANGED DURING THE TERM OF THE LEASE. THE TYPE OF LAND HEREBY LEASED AND THE ANNUAL RENTAL AMOUNT FOR THIS LEASE SHALL BE AS SET OUT IN EXHIBIT A HEREIN.

## 4. PERMITTED USE.

LESSEE MAY USE THE LEASED PREMISES ONLY FOR SUCH OPERATIONS AND ACTIVITIES AS ARE NECESSARY TO CARRY OUT THE PURPOSES FOR WHICH THE LEASE IS GRANTED AS SPECIFIED IN EXHIBIT A, AND IN ORDER TO COMPLY WITH ALL APPLICABLE PROVISIONS OF LAW REGARDING THE CARE AND PROTECTION OF THE LEASED PREMISES.

## 5. LIEN.

AS SECURITY FOR THE PAYMENT OF ANY RENT THAT IS OR MAY BECOME DUE AND UNPAID, LESSEE GRANTS TO LESSOR A FIRST AND PRIOR LIEN UPON ANY AND ALL IMPROVEMENTS AND CROPS ON THE LEASED PREMISES.

## 6. IMPROVEMENTS.

NO IMPROVEMENTS, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHALL BE PLACED ON THE LEASED PREMISES WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR. ALL IMPROVEMENTS PLACED ON THE LEASED PREMISES IN VIOLATION OF THIS PARAGRAPH SHALL BE CONSIDERED AND TREATED AS UNAUTHORIZED IMPROVEMENTS IN ACCORDANCE WITH THE APPLICABLE LAWS AND RULES.

## 7. ASSIGNMENT, SUBLEASE AND RELINQUISHMENT.

LESSEE SHALL NOT ASSIGN OR SUBLEASE THE LEASED PREMISES OR THE IMPROVEMENTS ON SAID PREMISES WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR AND SUCH OTHER REQUIREMENTS AS PRESCRIBED BY LAW OR RULE. AS PROVIDED BY LAW AND RULE ANY LEASE, IN GOOD STANDING, MAY BE RELINQUISHED TO THE STATE. UPON RELINQUISHMENT HOWEVER, THE LESSEE SHALL NOT BE ENTITLED TO A REFUND OF RENTALS PREVIOUSLY OWING AND PAID.

## 8. COLLATERAL ASSIGNMENTS.

ANY AGRICULTURAL LEASE MAY BE ASSIGNED AS COLLATERAL SECURITY SUBJECT TO THE EXPRESS WRITTEN CONSENT OF THE LESSOR AND SUCH OTHER TERMS AND CONDITIONS AS PRESCRIBED BY LAW OR RULE. THE APPROVAL OF A COLLATERAL ASSIGNMENT, HOWEVER, SHALL NOT PREVENT THE CANCELLATION OF THE LEASE AND TERMINATION OF THE COLLATERAL ASSIGNMENT FOR THE NONPAYMENT OF RENTALS OR OTHER VIOLATIONS OF THE LEASE TERMS.

## 9. DEFAULT AND CANCELLATION.

THE VIOLATION BY LESSEE OF ANY OF THE TERMS, CONDITIONS, OR COVENANTS OF THIS LEASE OR THE NONPAYMENT BY LESSEE OF THE RENT DUE UNDER THIS LEASE SHALL AT THE OPTION OF THE COMMISSIONER BE CONSIDERED A DEFAULT AND SHALL CAUSE THE CANCELLATION OF THIS LEASE 30 DAYS AFTER LESSOR HAS SENT WRITTEN NOTICE OF SUCH DEFAULT TO THE LESSEE AND TO ANY HOLDERS OF COLLATERAL ASSIGNMENTS BY REGISTERED MAIL, ADDRESSED TO THE POST OFFICE ADDRESS OF RECORD, PROVIDED, HOWEVER, IF WITHIN THE THIRTY DAYS THE LESSEE OR HOLDERS OF ANY COLLATERAL ASSIGNMENTS SHALL COMPLY WITH THE DEMAND MADE IN THE NOTICE, CANCELLATION SHALL NOT BE MADE.

## 10. RENEWAL.

ANY LESSEE WHO DESIRES TO SECURE A NEW LEASE SHALL MAKE AND FILE AN APPLICATION WITH THE LESSOR ON OR BEFORE AUGUST 1 NEXT PRECEDING THE EXPIRATION OF THIS LEASE. THE RIGHT OF RENEWAL SHALL BE SUBJECT TO SUCH TERMS AND CONDITIONS AS PROVIDED FOR BY LAW AND RULE.

## 11. RESERVATIONS.

A. LESSOR RESERVES THE RIGHT TO EXECUTE LEASES ON THE LAND GRANTED BY THIS LEASE FOR MINING PURPOSES AND FOR THE EXTRACTION OF OIL, GAS, SALT, GEOTHERMAL RESOURCES, AND OTHER MINERAL DEPOSITS THEREFROM AND THE RIGHT TO GO UPON, EXPLORE FOR, MINE, REMOVE AND SELL SAME. LESSOR FURTHER RESERVES THE RIGHT TO SELL OR DISPOSE OF NATURAL SURFACE PRODUCTS OF SAID LANDS OTHER THAN GRAZING, AGRICULTURAL OR HORTICULTURAL PRODUCTS AND TO GRANT SUCH OTHER RIGHTS-OF-WAY AND EASEMENTS AS PROVIDED

BY LAW.

- B. LESSOR RESERVES THE RIGHT TO WITHDRAW PURSUANT TO RULE, UP TO 640 ACRES, BUT IN NO CASE MORE THAN HALF, OF THE LAND HELD BY THIS LEASE.

12. COMPLIANCE WITH LAWS.

LESSEE SHALL AT ITS OWN EXPENSE FULLY COMPLY WITH AND BE SUBJECT TO ALL LAWS, REGULATIONS, RULES, ORDINANCES, AND REQUIREMENTS OF LESSOR AND APPLICABLE CITY, COUNTY, STATE AND FEDERAL AUTHORITIES AND AGENCIES WHICH HAVE BEEN OR MAY BE ENACTED OR PROMULGATED, IN ALL MATTERS AND THINGS AFFECTING THE LEASED PREMISES AND OPERATIONS THEREON. SUCH OTHER AGENCIES SHALL NOT BE DEEMED THIRD PARTY BENEFICIARIES UNDER THIS LEASE.

13. HOLD HARMLESS.

LESSEE SHALL SAVE AND HOLD HARMLESS, INDEMNIFY AND DEFEND LESSOR AND THE STATE OF NEW MEXICO, AND THEIR AGENT OR AGENTS, IN THEIR OFFICIAL AND INDIVIDUAL CAPACITIES, OF AND FROM ANY AND ALL LIABILITY CLAIMS, LOSSES, OR DAMAGES ARISING OUT OF OR ALLEGED TO ARISE OUT OF OR INDIRECTLY CONNECTED WITH THE OPERATIONS OF LESSEE UNDER THIS LEASE, OFF OR ON THE LEASED PREMISES OR ARISING OUT OF THE PRESENCE ON THE LEASED PREMISES OF ANY AGENT, CONTRACTOR OR SUBCONTRACTOR OF LESSEE.

14. AMENDMENT.

THIS LEASE SHALL NOT BE ALTERED, CHANGED OR AMENDED EXCEPT BY INSTRUMENT IN WRITING EXECUTED BY LESSOR AND LESSEE.

15. WAIVER.

NO WAIVER OF ANY BREACH OR DEFAULT BY LESSEE OF ANY OF THE TERMS, CONDITIONS OR COVENANTS OF THIS LEASE SHALL BE HELD TO BE A WAIVER OF ANY SUBSEQUENT BREACH. NO WAIVER SHALL BE VALID OR BINDING UNLESS THE SAME IS IN WRITING AND SIGNED BY LESSOR.

16. DELINQUENT RENTAL.

ALL RENTAL PAYMENTS RECEIVED AFTER OCTOBER 1 OF EACH YEAR SHALL BE CONSIDERED DELINQUENT AND SHALL BE SUBJECT TO THE PAYMENT OF INTEREST AT A RATE OF ONE PERCENT (1%) A MONTH FOR ANY FRACTION OF A MONTH. INTEREST SHALL ACCRUE FROM THE DATE THE PAYMENT BECOMES DUE.

17. APPLICABLE LAW.

THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW MEXICO.

18. SUCCESSORS IN INTEREST.

ALL TERMS, CONDITIONS AND COVENANTS IN THIS LEASE SHALL EXTEND TO AND BIND THE HEIRS, ASSIGNS, AGENTS, ATTORNEYS, CONTRACTORS AND SUCCESSORS IN INTEREST OF LESSOR AND LESSEE.

19. CARRYING CAPACITY REEVALUATION.

THE LESSOR RESERVES THE RIGHT DURING THE TERM OF THIS LEASE, AND UPON THE LESSOR'S DISCRETION, TO CONDUCT CARRYING CAPACITY REEVALUATIONS AND MAKE THE NECESSARY ADJUSTMENTS TO THE LEASE AND RENTAL AS MAY BE REQUIRED.

I/WE CERTIFY THAT I/WE ARE THE LESSEE(S) REFERENCED ON THE FACE PAGE OF THIS LEASE.

LESSOR: THE MERCHANT LIVESTOCK CO.

BY: John Pearson Pres

LESSEE

(505) 394-2745

TELEPHONE

( )

TELEPHONE

Patricia H. Lynn

LESSOR-COMMISSIONER OF PUBLIC LANDS

ACKNOWLEDGMENTS  
NATURAL PERSON(S)

STATE OF NEW MEXICO )

COUNTY OF )

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS \_\_\_\_ DAY OF \_\_\_\_, 20\_\_,

BY

(NAME OF PERSON ACKNOWLEDGED)

MY COMMISSION EXPIRES:

NOTARY PUBLIC

PARTNERSHIP

STATE OF NEW MEXICO )

COUNTY OF )

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS \_\_\_\_ DAY OF \_\_\_\_, 20\_\_,

BY

(NAME OF PERSON ACKNOWLEDGED)

PARTNER(S) ON BEHALF OF \_\_\_\_, A PARTNERSHIP.

MY COMMISSION EXPIRES:

NOTARY PUBLIC

CORPORATION

STATE OF NEW MEXICO )

COUNTY OF LEA )

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS 17<sup>th</sup> DAY OF JULY, 2003,

BY JOHN PEARSON  
(NAME OF OFFICER)

PRESIDENT OF  
(TITLE OF OFFICER)

THE MERCHANT LIVESTOCK CO. NEW MEXICO CORPORATION, ON BEHALF  
(CORPORATION NAME)  
OF SAID CORPORATION.

MY COMMISSION EXPIRES:

20 NOV 2004

Connie Bickert  
NOTARY PUBLIC

## NEW MEXICO STATE LAND OFFICE

## APPRAISEMENT OF GRAZING AND AGRICULTURAL LANDS

COMMISSIONER OF PUBLIC LANDS  
NEW MEXICO STATE LAND OFFICE BUILDING  
PO BOX 1148, SANTA FE, NEW MEXICO 87504-1148

LESSEE: SECTION 10 OF THE NEW MEXICO ENABLING ACT SPECIFICALLY REQUIRES THAT ALL STATE LAND TO BE LEASED BE APPRAISED AT ITS TRUE VALUE. STATE LAW, UNDER SECTION 19-7-1 NMSA 1978, FURTHER PRESCRIBES THAT SUCH APPRAISEMENT BE SECURED BY THE LESSEE WHEN ACQUIRING A LEASE AND THAT SUCH APPRAISEMENT BE COMPLETED BY A DISINTERESTED PERSON. THE INSTRUCTIONS FOR THE COMPLETION OF THIS FORM ARE SET OUT BELOW.

## APPRAISEMENT

INSTRUCTIONS: THIS INFORMATION MUST BE COMPLETED BY A DISINTERESTED PERSON AND BASED ON THAT INDIVIDUAL'S INFORMATION AND BELIEF. THIS FORM CANNOT BE COMPLETED BY A LICENSED APPRAISER. (NMSA 1978, 61-30-16). YOU CANNOT PAY TO HAVE THIS FORM COMPLETED. (NMSA 1978, 60-30-3A). THE LAND MUST BE APPRAISED AS VACANT, I.E. WITHOUT IMPROVEMENTS, FOR BOTH SALE AND LEASE PURPOSES. IT MUST ALSO BE SIGNED BEFORE A NOTARY PUBLIC.

I, Dan C Berry, DO SOLEMNLY SWEAR (OR AFFIRM), UNDER THE PENALTIES OF PERJURY, THAT AFTER HAVING PERSONALLY INSPECTED THE TRACT(S) OF LAND CONTAINED IN LEASE NO. GT 2533 AND DESCRIBED IN EXHIBIT A OF SAID LEASE, THAT MY OPINION OF THE APPRAISED CASH VALUE OF SAME (WITHOUT IMPROVEMENTS) IS \$ 40.20 PER ACRE, IF SOLD, AND \$ 24 PER ACRE, FOR LEASE PURPOSES, AND CERTIFY THAT I AM NOT INTERESTED IN SAID LAND FOR LEASING OR SALE THEREOF.

SIGNED Dan C BerryADDRESS Box 67CITY/STATE Juniper NM 88231

SUBSCRIBED AND SWORN TO BEFORE ME THIS

17<sup>th</sup>

DAY OF

July2003.

MY COMMISSION EXPIRES:

20 Nov. 2004Connie Bickert  
NOTARY PUBLIC

## EXHIBIT A

LEASE NO: GT2533

SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
LOT1	LOT15	LOT16	LOT2	LOT7	01✓ 21S 33E	199.83	G	-	8
LOT8	LOT9	-	-	-	01✓ 21S 33E	80.00	G	-	8
SE4	-	-	-	-	01✓ 21S 33E	160.00	G	-	8
N2S2	-	-	-	-	08✓ 21S 33E	160.00	G	-	8
N2SW4	SW4SW4	SE4	-	-	09✓ 21S 33E	280.00	G	-	8
N2SW4	SE4SW4	SE4	-	-	10✓ 21S 33E	280.00	G	-	8
NE4SE4	S2SE4	-	-	-	11✓ 21S 33E	120.00	G	-	8
NE4NE4	S2NE4	-	-	-	12✓ 21S 33E	120.00	G	-	8
N2NE4	SE4NE4	W2	SE4	-	13✓ 21S 33E	600.00	G	-	8
NE4	E2NW4	NE4SW4	SE4	-	14✓ 21S 33E	440.00	G	-	8
ALL	-	-	-	-	15✓ 21S 33E	640.00	G	-	8
ALL	-	-	-	-	17✓ 21S 33E	640.00	G	-	8
LOT3	LOT4	-	-	-	18✓ 21S 33E	71.87	G	-	8
E2SW4	SE4	-	-	-	18✓ 21S 33E	240.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	19✓ 21S 33E	144.24	G	-	8
NE4	E2W2	SE4	-	-	19✓ 21S 33E	480.00	G	-	8
ALL	-	-	-	-	20✓ 21S 33E	640.00	G	-	8
NE4	W2W2	SE4	-	-	21✓ 21S 33E	480.00	G	-	8
ALL	-	-	-	-	22✓ 21S 33E	640.00	G	-	8
N2NE4	W2W2	SE4	-	-	23✓ 21S 33E	400.00	G	-	8
NE4	N2NW4	SW4	-	-	24✓ 21S 33E	400.00	G	-	8
ALL	-	-	-	-	26✓ 21S 33E	640.00	G	-	8
NE4	SE4NW4	E2SW4	SE4	-	28✓ 21S 33E	440.00	G	-	8
ALL	-	-	-	-	29✓ 21S 33E	640.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	30✓ 21S 33E	144.56	G	-	8
NE4	E2W2	SE4	-	-	30✓ 21S 33E	480.00	G	-	8
LOT1	LOT2	LOT4	-	-	31✓ 21S 33E	108.78	G	-	8
NE4	E2NW4	SE4SW4	S2SE4	-	31✓ 21S 33E	360.00	G	-	8
ALL	-	-	-	-	36✓ 21S 33E	640.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	01✓ 21S 34E	197.46	G	-	8
LOT14	LOT15	LOT2	LOT3	LOT4	01✓ 21S 34E	192.62	G	-	8
LOT5	LOT6	LOT7	LOT8	LOT9	01✓ 21S 34E	200.00	G	-	8
S2	-	-	-	-	01✓ 21S 34E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	03✓ 21S 34E	198.04	G	-	8
LOT14	LOT16	LOT2	LOT3	LOT4	03✓ 21S 34E	195.04	G	-	8
LOT5	LOT6	LOT7	LOT8	LOT9	03✓ 21S 34E	200.00	G	-	8
S2	-	-	-	-	03✓ 21S 34E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	04✓ 21S 34E	198.62	G	-	8
LOT14	LOT15	LOT16	LOT2	LOT3	04✓ 21S 34E	197.46	G	-	8
LOT4	LOT5	LOT6	LOT7	LOT8	04✓ 21S 34E	198.84	G	-	8
LOT9	-	-	-	-	04✓ 21S 34E	40.00	G	-	8
S2	-	-	-	-	04✓ 21S 34E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	05✓ 21S 34E	198.96	G	-	8
LOT14	LOT15	LOT16	LOT2	LOT3	05✓ 21S 34E	198.38	G	-	8
LOT4	LOT5	LOT6	LOT7	LOT8	05✓ 21S 34E	199.42	G	-	8
LOT9	-	-	-	-	05✓ 21S 34E	40.00	G	-	8
S2	-	-	-	-	05✓ 21S 34E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	06✓ 21S 34E	195.70	G	-	8
LOT14	LOT15	LOT16	LOT17	LOT18	06✓ 21S 34E	196.43	G	-	8
LOT2	LOT3	LOT4	LOT5	LOT6	06✓ 21S 34E	194.97	G	-	8
LOT7	LOT8	-	-	-	06✓ 21S 34E	80.00	G	-	8

## EXHIBIT A

LEASE NO: GT2533

SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
E2SW4	SE4	-	-	-	06✓ 21S 34E	240.00	G	-	8
LOT1	LOT2	LOT4	-	-	07✓ 21S 34E	115.00	G	-	8
NE4	E2NW4	PT.SE4SW4	PT.SW4SE4	SE4SE4	07✓ 21S 34E	359.75	G	-	8
N2	S2S2	-	-	-	08✓ 21S 34E	480.00	G	-	8
N2	S2S2	-	-	-	09✓ 21S 34E	480.00	G	-	8
N2	S2S2	-	-	-	10✓ 21S 34E	480.00	G	-	8
E2NE4	W2	E2SE4	-	-	11✓ 21S 34E	480.00	G	-	8
NE4NE4	S2NE4	W2	SE4	-	12✓ 21S 34E	600.00	G	-	8
ALL	-	-	-	-	13✓ 21S 34E	640.00	G	-	8
SW4NE4	W2	W2SE4	-	-	14✓ 21S 34E	440.00	G	-	8
N2	N2S2	-	-	-	15✓ 21S 34E	480.00	G	-	8
ALL	-	-	-	-	17✓ 21S 34E	640.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	18✓ 21S 34E	153.88	G	-	8
NE4	E2W2	SE4	-	-	18✓ 21S 34E	480.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	19✓ 21S 34E	154.44	G	-	8
NE4	E2W2	SE4	-	-	19✓ 21S 34E	480.00	G	-	8
ALL	-	-	-	-	20✓ 21S 34E	640.00	G	-	8
W2NE4	W2NW4	SE4NW4	SW4	W2SE4	21✓ 21S 34E	440.00	G	-	8
ALL	-	-	-	-	22✓ 21S 34E	640.00	G	-	8
W2NE4	W2	-	-	-	23✓ 21S 34E	400.00	G	-	8
S2N2	S2	-	-	-	24✓ 21S 34E	480.00	G	-	8
ALL	-	-	-	-	25✓ 21S 34E	640.00	G	-	8
ALL	-	-	-	-	26✓ 21S 34E	640.00	G	-	8
W2NE4	SE4NE4	W2	SE4	-	27✓ 21S 34E	600.00	G	-	8
E2NE4	W2	E2SE4	-	-	28✓ 21S 34E	480.00	G	-	8
ALL	-	-	-	-	29✓ 21S 34E	640.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	30✓ 21S 34E	155.16	G	-	8
NE4	E2W2	SE4	-	-	30✓ 21S 34E	480.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	31✓ 21S 34E	156.00	G	-	8
NE4	E2W2	SE4	-	-	31✓ 21S 34E	480.00	G	-	8
ALL	-	-	-	-	32✓ 21S 34E	640.00	G	-	8
E2NE4	W2	E2SE4	-	-	33✓ 21S 34E	480.00	G	-	8
N2	NE4SW4	PT.NW4SW4	N2SE4	-	34✓ 21S 34E	479.77	G	-	8
ALL	-	-	-	-	35✓ 21S 34E	640.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	01✓ 21S 35E	197.65	G	-	8
LOT14	LOT15	LOT16	LOT2	PT.LOT3	01✓ 21S 35E	193.40	G	-	8
LOT5	LOT6	LOT7	LOT8	LOT9	01✓ 21S 35E	200.00	G	-	8
S2	-	-	-	-	01✓ 21S 35E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	03✓ 21S 35E	197.71	G	-	8
LOT14	LOT15	LOT16	LOT2	LOT3	03✓ 21S 35E	195.46	G	-	8
LOT4	LOT5	LOT6	LOT7	LOT8	03✓ 21S 35E	197.75	G	-	8
LOT9	-	-	-	-	03✓ 21S 35E	40.00	G	-	8
SW4	NE4SE4	S2SE4	-	-	03✓ 21S 35E	280.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	04✓ 21S 35E	197.75	G	-	8
LOT14	LOT15	LOT16	LOT2	LOT3	04✓ 21S 35E	195.40	G	-	8
LOT4	LOT5	LOT6	LOT7	LOT8	04✓ 21S 35E	197.65	G	-	8
LOT9	-	-	-	-	04✓ 21S 35E	40.00	G	-	8
S2	-	-	-	-	04✓ 21S 35E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	05✓ 21S 35E	197.65	G	-	8
LOT14	LOT15	LOT16	LOT2	LOT3	05✓ 21S 35E	195.34	G	-	8
LOT4	LOT5	LOT6	LOT7	LOT8	05✓ 21S 35E	197.69	G	-	8

## EXHIBIT A

LEASE NO: GT2533

SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
LOT9	-	-	-	-	05✓ 21S 35E	40.00	G	-	8
S2	-	-	-	-	05✓ 21S 35E	320.00	G	-	8
LOT1	LOT10	LOT11	LOT12	LOT13	06✓ 21S 35E	188.06	G	-	8
LOT14	LOT15	LOT16	LOT17	LOT18	06✓ 21S 35E	190.75	G	-	8
LOT2	LOT3	LOT4	LOT5	LOT6	06✓ 21S 35E	182.97	G	-	8
LOT7	LOT8	LOT9	-	-	06✓ 21S 35E	120.00	G	-	8
E2SW4	SE4	-	-	-	06✓ 21S 35E	240.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	07✓ 21S 35E	142.20	G	-	8
NE4NE4	PT.NW4NE4	S2NE4	E2W2	SE4	07✓ 21S 35E	470.00	G	-	8
N2	SW4	NE4SE4	PT.W2SE4	SE4SE4	08✓ 21S 35E	637.50	G	-	8
ALL	-	-	-	-	09✓ 21S 35E	640.00	G	-	8
NE4	S2S2	-	-	-	10✓ 21S 35E	320.00	G	-	8
SW4NE4	W2	W2SE4	-	-	11✓ 21S 35E	440.00	G	-	8
N2	S2S2	-	-	-	12✓ 21S 35E	480.00	G	-	8
NE4	NE4NW4	S2NW4	S2	-	13✓ 21S 35E	600.00	G	-	8
W2NE4	NE4NW4	S2NW4	SW4	NW4SE4	14✓ 21S 35E	400.00	G	-	8
ALL	-	-	-	-	15✓ 21S 35E	640.00	G	-	8
N2	S2S2	-	-	-	17✓ 21S 35E	480.00	G	-	8
PT.LOT1	PT.LOT2	LOT3	-	-	18✓ 21S 35E	105.67	G	-	8
NE4	E2NW4	NE4SW4	N2SE4	-	18✓ 21S 35E	360.00	G	-	8
ALL	-	-	-	-	20✓ 21S 35E	640.00	G	-	8
ALL	-	-	-	-	21✓ 21S 35E	640.00	G	-	8
ALL	-	-	-	-	22✓ 21S 35E	640.00	G	-	8
NE4	E2SW4	SE4	-	-	23✓ 21S 35E	400.00	G	-	8
N2NE4	SW4NE4	W2	SE4	-	24✓ 21S 35E	600.00	G	-	8
ALL	-	-	-	-	25✓ 21S 35E	640.00	G	-	8
N2	N2S2	-	-	-	26✓ 21S 35E	480.00	G	-	8
NW4NE4	SE4NE4	NW4	N2SE4	-	27✓ 21S 35E	320.00	G	-	8
N2	N2S2	-	-	-	28✓ 21S 35E	480.00	G	-	8
ALL	-	-	-	-	29✓ 21S 35E	640.00	G	-	8
LOT1	PT.LOT2	LOT3	-	-	31✓ 21S 35E	108.06	G	-	8
NE4	E2NW4	NE4SW4	N2SE4	-	31✓ 21S 35E	360.00	G	-	8
ALL	-	-	-	-	33✓ 21S 35E	640.00	G	-	8
ALL	-	-	-	-	34✓ 21S 35E	640.00	G	-	8
ALL	-	-	-	-	35✓ 21S 35E	640.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	02✓ 22S 33E	160.12	G	-	8
S2N2	S2	-	-	-	02✓ 22S 33E	480.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	04✓ 22S 33E	160.28	G	-	11
LOT1	LOT2	LOT3	LOT4	-	05✓ 22S 33E	160.20	G	-	8
S2NE4	SW4NW4	S2	-	-	05✓ 22S 33E	440.00	G	-	8
LOT1	LOT2	LOT3	LOT4	LOT5	06✓ 22S 33E	192.83	G	-	10
LOT6	LOT7	-	-	-	06✓ 22S 33E	72.68	G	-	10
S2NE4	SE4NW4	-	-	-	06✓ 22S 33E	120.00	G	-	10
NE4SW4	N2SE4	-	-	-	06✓ 22S 33E	120.00	G	-	8
SE4SW4	S2SE4	-	-	-	06✓ 22S 33E	120.00	G	-	10
LOT1	LOT2	-	-	-	07✓ 22S 33E	72.73	G	-	10
LOT3	LOT4	-	-	-	07✓ 22S 33E	72.91	G	-	8
NE4	E2W2	SE4	-	-	07✓ 22S 33E	480.00	G	-	10
ALL	-	-	-	-	08✓ 22S 33E	640.00	G	-	9
S2N2	-	-	-	-	10✓ 22S 33E	160.00	G	-	13
N2SE4	-	-	-	-	10✓ 22S 33E	80.00	G	-	8

## EXHIBIT A

LEASE NO: GT2533

SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
N2SW4	-	-	-	-	10✓ 22S 33E	80.00	G	-	13
SW4NW4	W2SW4	-	-	-	11✓ 22S 33E	120.00	G	-	10
S2	-	-	-	-	12✓ 22S 33E	320.00	G	-	10
N2N2	-	-	-	-	14✓ 22S 33E	160.00	G	-	12
N2N2	-	-	-	-	15✓ 22S 33E	160.00	G	-	9
ALL	-	-	-	-	16✓ 22S 33E	640.00	G	-	8
ALL	-	-	-	-	17✓ 22S 33E	640.00	G	-	13
LOT1	LOT2	LOT3	LOT4	-	18 22S 33E	146.20	G	-	12
NE4	E2W2	NE4SE4	PT.NW4SE4	S2SE4	18✓ 22S 33E	478.62	G	-	12
LOT1	LOT2	LOT3	LOT4	-	19✓ 22S 33E	146.44	G	-	7
NE4NE4	-	-	-	-	19✓ 22S 33E	40.00	G	-	8
W2NE4	E2NW4	-	-	-	19✓ 22S 33E	160.00	G	-	7
SE4NE4	-	-	-	-	19✓ 22S 33E	40.00	G	-	8
E2SW4	SE4	-	-	-	19✓ 22S 33E	240.00	G	-	7
NE4	-	-	-	-	20✓ 22S 33E	160.00	G	-	8
N2	-	-	-	-	21✓ 22S 33E	320.00	G	-	8
N2NE4	-	-	-	-	24✓ 22S 33E	80.00	G	-	10
NW4	-	-	-	-	24✓ 22S 33E	160.00	G	-	8
S2NE4	-	-	-	-	24✓ 22S 33E	80.00	G	-	10
LOT1	LOT2	LOT3	PT.LOT4	-	01✓ 22S 34E	169.12	G	-	6
S2NW4	-	-	-	-	01✓ 22S 34E	80.00	G	-	6
SW4NE4	-	-	-	-	01✓ 22S 34E	40.00	G	-	8
SE4NE4	NE4SW4	N2SE4	-	-	01✓ 22S 34E	160.00	G	-	6
NW4SW4	-	-	-	-	01✓ 22S 34E	40.00	G	-	8
SW4SW4	-	-	-	-	01✓ 22S 34E	40.00	G	-	6
SE4SW4	S2SE4	-	-	-	01✓ 22S 34E	120.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	03✓ 22S 34E	167.16	G	-	6
S2N2	-	-	-	-	03✓ 22S 34E	160.00	G	-	6
N2S2	-	-	-	-	03✓ 22S 34E	160.00	G	-	8
S2S2	-	-	-	-	03✓ 22S 34E	160.00	G	-	6
LOT1	LOT2	-	-	-	04✓ 22S 34E	82.65	G	-	10
S2NE4	-	-	-	-	04✓ 22S 34E	80.00	G	-	10
LOT1	LOT2	-	-	-	05✓ 22S 34E	81.58	G	-	10
S2NE4	SE4	-	-	-	05✓ 22S 34E	240.00	G	-	10
LOT1	LOT2	-	-	-	07✓ 22S 34E	77.35	G	-	6
LOT3	-	-	-	-	07✓ 22S 34E	38.55	G	-	10
LOT4	-	-	-	-	07✓ 22S 34E	38.46	G	-	6
N2NE4	E2NW4	-	-	-	07✓ 22S 34E	160.00	G	-	6
S2NE4	-	-	-	-	07✓ 22S 34E	80.00	G	-	8
NE4SW4	N2SE4	-	-	-	07✓ 22S 34E	120.00	G	-	10
SE4SW4	-	-	-	-	07✓ 22S 34E	40.00	G	-	6
SW4SE4	-	-	-	-	07✓ 22S 34E	40.00	G	-	8
SE4SE4	-	-	-	-	07✓ 22S 34E	40.00	G	-	6
N2NW4	-	-	-	-	08✓ 22S 34E	80.00	G	-	8
S2NW4	NE4SE4	-	-	-	08✓ 22S 34E	120.00	G	-	6
NW4SE4	-	-	-	-	08✓ 22S 34E	40.00	G	-	8
SW4	-	-	-	-	08✓ 22S 34E	160.00	G	-	6
SW4SE4	-	-	-	-	08✓ 22S 34E	40.00	G	-	8
SE4SE4	-	-	-	-	08✓ 22S 34E	40.00	G	-	6
N2NE4	-	-	-	-	11✓ 22S 34E	80.00	G	-	!
NE4NW4	-	-	-	-	11✓ 22S 34E	40.00	G	-	!

## EXHIBIT A

LEASE NO: GT2533

SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
SW4NE4	W2NW4	SE4NW4	NE4SE4	-	11✓ 22S 34E	200.00	G	-	5
N2SW4	NW4SE4	-	-	-	11✓ 22S 34E	120.00	G	-	8
S2S2	-	-	-	-	11✓ 22S 34E	160.00	G	-	5
NE4	NE4NW4	S2NW4	NE4SE4	-	12✓ 22S 34E	320.00	G	-	4
NW4SE4	-	-	-	-	12✓ 22S 34E	40.00	G	-	8
E2SW4	SW4SE4	-	-	-	12✓ 22S 34E	120.00	G	-	4
SE4SE4	-	-	-	-	12✓ 22S 34E	40.00	G	-	8
NE4	E2W2	N2SE4	-	-	13✓ 22S 34E	400.00	G	-	6
SW4SE4	-	-	-	-	13✓ 22S 34E	40.00	G	-	8
SE4SE4	-	-	-	-	13✓ 22S 34E	40.00	G	-	6
N2NE4	NE4NW4	-	-	-	14✓ 22S 34E	120.00	G	-	5
W2NW4	-	-	-	-	14✓ 22S 34E	80.00	G	-	8
S2NE4	SE4NW4	-	-	-	14✓ 22S 34E	120.00	G	-	5
NE4SW4	NW4SE4	-	-	-	14✓ 22S 34E	80.00	G	-	8
W2SW4	SE4SW4	SW4SE4	-	-	14✓ 22S 34E	160.00	G	-	5
W2W2	-	-	-	-	15✓ 22S 34E	160.00	G	-	9
ALL	-	-	-	-	16✓ 22S 34E	640.00	G	-	8
W2	-	-	-	-	17✓ 22S 34E	320.00	G	-	13
LOT1	LOT2	-	-	-	19✓ 22S 34E	76.04	G	-	7
NE4	E2NW4	-	-	-	19✓ 22S 34E	240.00	G	-	7
N2	-	-	-	-	20✓ 22S 34E	320.00	G	-	8
NE4NE4	-	-	-	-	24✓ 22S 34E	40.00	G	-	8
W2NE4	SE4NE4	NW4	N2S2	-	24✓ 22S 34E	440.00	G	-	7
N2N2	S2NW4	-	-	-	25✓ 22S 34E	240.00	G	-	6
S2NE4	-	-	-	-	25✓ 22S 34E	80.00	G	-	8
S2	-	-	-	-	25✓ 22S 34E	320.00	G	-	8
SE4	-	-	-	-	27✓ 22S 34E	160.00	G	-	8
ALL	-	-	-	-	36✓ 22S 34E	640.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	01✓ 22S 35E	161.60	G	-	8
S2N2	S2	-	-	-	01✓ 22S 35E	480.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	03✓ 22S 35E	166.12	G	-	8
S2N2	S2	-	-	-	03✓ 22S 35E	480.00	G	-	8
LOT1	LOT2	LOT3	LOT4	-	05✓ 22S 35E	168.60	G	-	1
S2N2	S2	-	-	-	05✓ 22S 35E	480.00	G	-	1
LOT1	LOT2	LOT3	LOT4	LOT5	06✓ 22S 35E	202.73	G	-	1
LOT6	LOT7	-	-	-	06✓ 22S 35E	73.50	G	-	1
S2NE4	SE4NW4	E2SW4	N2SE4	SW4SE4	06✓ 22S 35E	320.00	G	-	1
LOT1	LOT2	LOT3	LOT4	-	07✓ 22S 35E	148.60	G	-	1
NE4	E2W2	SE4	-	-	07✓ 22S 35E	480.00	G	-	1
ALL	-	-	-	-	08✓ 22S 35E	640.00	G	-	1
ALL	-	-	-	-	10✓ 22S 35E	640.00	G	-	1
E2	-	-	-	-	11✓ 22S 35E	320.00	G	-	1
ALL	-	-	-	-	12✓ 22S 35E	640.00	G	-	1
S2N2	S2	-	-	-	13✓ 22S 35E	480.00	G	-	1
S2NE4	W2NW4	NW4SW4	SE4	-	14✓ 22S 35E	360.00	G	-	1
N2	N2S2	-	-	-	15✓ 22S 35E	480.00	G	-	1
ALL	-	-	-	-	17✓ 22S 35E	640.00	G	-	1
LOT1	LOT2	LOT3	LOT4	-	18✓ 22S 35E	150.68	G	-	1
NE4	E2W2	SE4	-	-	18✓ 22S 35E	480.00	G	-	1
LOT1	LOT2	LOT3	-	-	19✓ 22S 35E	114.59	G	-	1
NE4	E2NW4	NE4SW4	N2SE4	-	19✓ 22S 35E	360.00	G	-	1

## EXHIBIT A

LEASE NO: GT2533

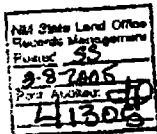
SUBDIVISION					SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CA CA
ALL	-	-	-	-	21✓ 22S 35E	640.00	G	-	8
ALL	-	-	-	-	22✓ 22S 35E	640.00	G	-	8
E2NE4	W2	E2SE4	-	-	23✓ 22S 35E	480.00	G	-	8
ALL	-	-	-	-	24✓ 22S 35E	640.00	G	-	8
ALL	-	-	-	-	25✓ 22S 35E	640.00	G	-	8
W2NE4	W2	E2SE4	-	-	26✓ 22S 35E	480.00	G	-	8
ALL	-	-	-	-	27✓ 22S 35E	640.00	G	-	8
ALL	-	-	-	-	28✓ 22S 35E	640.00	G	-	8
W2NE4	N2NW4	SE4NW4	SW4	W2SE4	29✓ 22S 35E	440.00	G	-	8
NE4	E2NW4	NE4SW4	N2SE4	-	30✓ 22S 35E	360.00	G	-	8
ALL	-	-	-	-	32✓ 22S 35E	640.00	G	-	8
ALL	-	-	-	-	33✓ 22S 35E	640.00	G	-	8
S2NE4	W2NW4	SE4NW4	S2	-	34✓ 22S 35E	520.00	G	-	8
S2N2	S2	-	-	-	35✓ 22S 35E	480.00	G	-	8
TOTAL ACREAGE:					81,894.22	TOTAL RENTAL:		\$52,207.02	

## RENEWAL LEASE

## LEGEND: USE TYPE CODES

C= CONSERVATION RESERVE PROGRAM LAND, D= DRYLAND FARMING, G= GRAZING,  
 I= IRRIGATED CROPLAND, M= MOBILE HOME ON LAND, R= RSIP LAND, 1= GRAZING (BID),  
 2= DRYLAND FARMING (BID), 3= IRRIGATED CROPLAND (BID) 4= CRP (BID) 5= RSIP (BID),  
 H= 1/2 SOUTH FOR TOWNSHIP, H= 1/2 EAST FOR RANGE

\* CARRYING CAPACITY RATES LISTED ARE BASED ON 640 ACRE PARCELS



## IMPROVEMENT LISTING

The State Land Office Rule Relating to Agricultural Leases, 19 N.M.A.C. 8.9.2.2. requires you to submit a listing of all improvements located on the state leased land held under this lease with your application.

LEASE NUMBER GT-2533

No NEW IMPROVEMENTS

DO IMPROVEMENTS EXIST ON STATE LAND? → YES ☒ NO ☐

IF YOU ANSWERED YES, PLEASE LIST ALL IMPROVEMENTS EVEN IF THEY ARE ON RECORD WITH OUR OFFICE OR IF A PREVIOUS LESSEE PLACED THE IMPROVEMENTS.

IMPROVEMENT	APPROXIMATE MONTH AND YEAR BUILT	SECTION	LOCATION TOWNSHIP	RANGE
PLEASE SEE ATTACHED PAGES LISTS OF IMPROVEMENTS				
No NEW IMPROVEMENTS SINCE LAST RENEWAL				

Inclusion of unauthorized improvements on this listing or any appraisal submitted to the Commissioner for any purpose shall not be interpreted as approved. (19 N.M.A.C. 8.9.11)

This office will reject your renewal lease application if this form is not completed. Your signature is required whether improvements exist or not.

The information provided above is true and correct to the best of my knowledge, please sign and date below.

THE MERCHANT LIVESTOCK CO.

BY

John Pearson Pres

Lessee Signature

Date 7-17-03

Lessee Signature

Lessee Signature

**SURFACE DAMAGE RELEASE AND  
GRANT OF SURFACE EASEMENT**

STATE OF NEW MEXICO        )  
                                      )    **KNOW ALL MEN BY THESE PRESENTS:**  
COUNTY OF LEA                )

WHEREAS, The Merchant Livestock Company, Inc. ("Surface Lessee"), is the Lessee of all right, title and interest in and to the surface of the following described lands located in Lea County, State of New Mexico, to-wit:

**LEGAL DESCRIPTION: SE/4, Section 4-21S-35E, Lea County, NM**

WHEREAS, CHESAPEAKE OPERATING, INC. ("Operator"), is the Operator of a certain oil and gas well, known as the K.F. 4 State #1 (the "Well"), the drill site which is to be located on the above described lands.

WHEREAS, Surface Lessee and Operator desire to enter into an agreement for the payment of surface damages and the grant of an easement for ingress and egress relating to the drilling, completion, and maintenance of the Well, and an easement for the construction, operation and maintenance of a pipeline or pipelines to service the Well.

**NOW THEREFORE, Surface Lessee, for and in consideration of the sum of Ten Dollars and 00/100 (\$10.00) and other good and valuable consideration paid by Operator, the receipt and sufficiency of which are hereby acknowledged, does hereby release, discharge and acquit Operator of all liability for damage to the surface of the above described lands arising from the clearing, use and conducting of operations on said lands as a well-drilling site, the setting of well and utility equipment and accessories, well completion, and the producing of oil, gas or other associated substances from the above described property.**

Surface Lessee hereby additionally establishes, declares, grants and conveys to Operator an unrestricted easement over and on the above described lands for any and all operations conducted on said lands reasonable and necessary in connection with the drilling, completion and maintenance of the Well. The operations and activities covered by this Grant of Surface Easement include, but are not limited to: (a) the right of ingress and egress to the above described lands; (b) the building, establishment and maintenance of roads, pads, tanks, pipelines, utility equipment, fences, fixtures, production equipment and reserve pits; and (c) any other activities reasonable and necessary in connection with oil and gas operations on the above described lands.

Surface Lessee and Operator agree that Operator shall limit its use of the above described lands to an area of land 5.0 acres in size, more or less, surrounding or adjacent to the wellbore of the Well, and in addition thereto, a roadway for ingress and egress to the well site, as well as an easement for the construction, operation and maintenance of a pipeline or pipelines to service the Well. Said well site shall be at a location of the Operator's selection with due regard to the terrain and the current reasonable use of the land by the Surface Lessee.

The Surface Lessee and Operator further agree to the following special provisions:

1. Operator will contact Surface Lessee prior to commencing the construction of the location site.
2. Operator agrees to pay Surface Lessee, \$5000.00 for each location site.
3. Pipeline(s) rates are based on \$10.00 a rod.(State and BLM surface and \$40.00 ( fee lands)
4. New roads, are to be paid at the rate of \$20.00 a rod.

The Surface Lessee hereby covenants and agrees to settle with the surface tenant of the property, if any, and agrees to indemnify and hold the Operator harmless from any and all claims by such tenant for surface and location damages affecting the property.

The foregoing sets out the entire agreement between Surface Lessee and Operator, and supersedes any prior oral or written agreements or negotiations not set out in writing herein or in the oil and gas lease covering the above described lands. No provisions of this agreement shall be modified, altered or waived except by written amendment executed by the parties or their representatives as set forth below.

This agreement shall be binding upon the successors and assigns of the parties hereto and shall be deemed to be a covenant running with the lands described above.

IN WITNESS WHEREOF, this instrument has been executed by the undersigned the 3 day of June, 2005.

**SURFACE LESSEE**

Merchant Livestock Company, Inc.

By: Mark Pearson

Tax ID# 85-0081965

**OPERATOR**

CHESAPEAKE OPERATING, INC.

By: Mike Hazlip  
Mike Hazlip, Permian Land Manager

**ACKNOWLEDGMENTS**

STATE OF New Mexico  
COUNTY OF Santa Fe

SS:

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 3<sup>rd</sup> day of June, 2004, personally appeared Blake Pearson to me known to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that he executed the same as the free and voluntary act and deed, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

Jackie Miller  
Notary Public in and for  
the State of New Mexico

My Commission expires:

2/11/2008

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

SS:

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 7<sup>th</sup> day of June, 2004, personally appeared Mike Hazlip, Permian Land Manager of Chesapeake Operating, Inc., to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

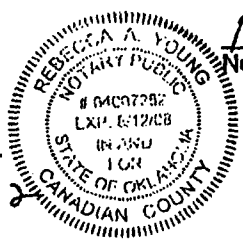
Given under my hand and seal the day and year last above written.

Rebecca A. Young  
Notary Public

My Commission expires:

8/12/08

Comm. No.: 0400728



COMPANY: CHESAPEAKE OPERATING, INC.		<b>LAND CHECK REQUEST FORM</b>	
REQUEST BY: NOTIFY:	TamI Brody Rebecca Henderson and Sara Caldwell	DATE:	03/31/05
PAYABLE TO:	The Merchant Livestock Company, Inc.	AMOUNT:	\$5,000.00
ADDRESS:	P.O. Box 1414		
CITY:	Eunice	STATE:	NM ZIP: 88231
CONTACT:	PHONE: 505-225-2003		
SSN OR TIN:			
PAYABLE FOR:	K.F. 4 State #1, S/2 Section 4-21S-35E, Lea County, New Mexico Surface Location		
REQUIRED WHEN:	Friday, April 1, 2005	MAIL CHECK	YES X NO
SIGNED:	DATE:		
APPROVED:	DATE:		

**TYPE OF CHARGE (CHOOSE ONLY ONE)**

- ☒ SURFACE DAMAGES  
☐ RIGHT OF WAY

**REQUIRED INFORMATION**

LEGAL DESC 4-21S-35E  
Section-Township-Range  
COUNTY Lea  
STATE New Mexico  
PROPERTY NAME KF 4 State #1

ACCOUNTS PAYABLE CODING BLOCK - DO NOT MODIFY	
VENDOR NUMBER	
ZIP	88231
INVOICE NUMBER	033105
INVOICE DATE	03/31/05
GROSS AMOUNT DUE	\$5,000.00
INVOICE APPROVED	Y
DUE DATE	Friday, April 1, 2005
SPECIAL HANDLE	Y
IRS 1099 FLAG	0
GEN/SUB	233-401
PROPERTY/PROSPECT NUMBER	
SERVICE DATE	03/31/05
AMOUNT	\$5,000.00
DESCRIPTION	KF 4 State #1 SURF DAMAGE

P:\Permian\Forms\KF4State1\_MerchantLivestock\_surfdamag\_033105.xls

CHK 000050

**Chesapeake**

*Natural Gas.  
Natural Advantages.*

**Permian Land Department**

April 4, 2005

**VIA EXPRESS MAIL**

Merchant Livestock Company, Inc.  
P.O. Box 1166  
Carlsbad, NM 88220

Re: KF 4 State #1  
S/2 Section 4-21S-35E  
Lea County, New Mexico

Dear Sir:

Please find enclosed our check #509560 in the amount of \$5,000.00 regarding the captioned well. The check is to settle surface damages as agreed.

Please do not hesitate to contact me at (405) 879-9268 should you have any questions.

Sincerely,

**CHESAPEAKE OPERATING, INC.**

*Tami R. Brody*  
Tami R. Brody  
Land Tech

Enclosures

W:\Permian\Brody\Letters\MerchantLivestockCo\_surfacdamages\_040405.doc

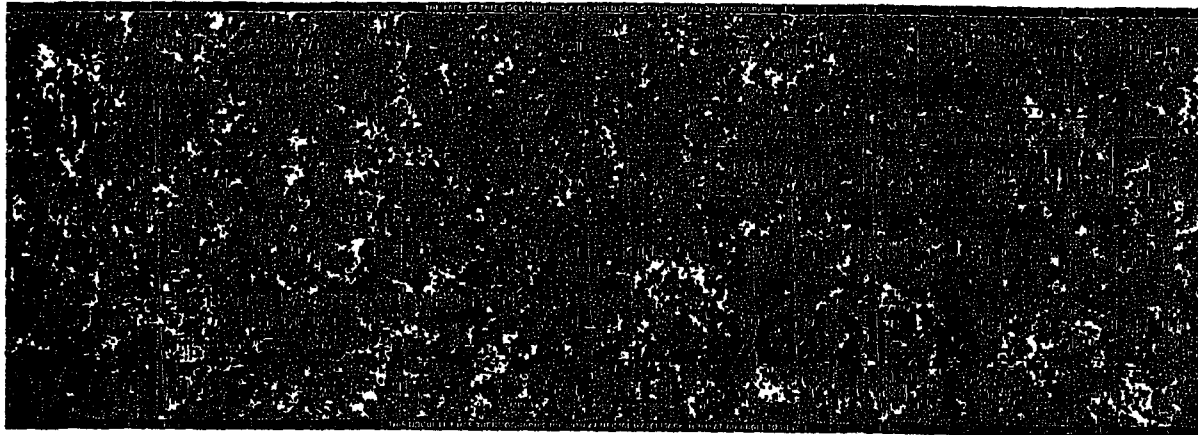
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Chesapeake Energy Corporation  
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496  
405.848.8000 • fax 405.767.4251

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CHK 000051

VOUCHER NUMBER	INVOICE DATE	INVOICE NUMBER	DESCRIPTION OR GROSS AMOUNT DISCOUNT	NET AMOUNT
496493	03/31/05	033105	KF 4 STATE 1 SURF DAMAGE	5,000.00
<b>** TOTAL FOR CHECK</b>				<b>5,000.00</b>



110050956011 1210310314712 20903773411

CHK 000052

**From:** Pam Brown  
**Sent:** Tuesday, June 07, 2005 2:41 PM  
**To:** Tami Brody  
**Attachments:** Picture (Metafile); Picture (Metafile)

[illegible][illegible]