

OIL AND GAS LEASE

THIS AGREEMENT made this 8th day of July, 1981, between
Sweetie J. Boyle, Individually and as Independent Executrix of the Estate of R. E. Boyle, Deceased
 Lessor (whether one or more), whose address is: P. O. Box 10, Midland, Texas 79702
 and Belco Petroleum Corporation Lessee, WITNESSETH:

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gas-oil line, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "said minerals", (together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Eddy, State of New Mexico and is described as follows:

NE/4 NE/4 Section 7, Township 23 South, Range 31 East, N.M.P.M.

(Notwithstanding the provisions in paragraph 3 herein, it is agreed that where the fraction 1/8th appears within said paragraph 3, that the same shall for the purposes of this lease be deemed to read 1/4th)

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preferential right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 40 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

Three (3) years effective from 8-29-81

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, Lessee covenants and agrees: (a) To deliver to the credit of lessor in the pipe line to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when said by Lessee, one-eighth of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other of said minerals produced and marketed or utilized by Lessee from said land, one-tenth either in kind or the market value thereof at the well, at Lessee's election. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on land with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, Lessee shall pay or tender, by check or draft of Lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the depository bank provided for below. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by Lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless Lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

Midland National Bank at Midland, Texas 79701

which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$40.00, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date, in like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that Lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to lessor or to the depository bank on or before its last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect in any attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof from lessor. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and Lessee shall have no obligation to make any further tender or payment in connection therewith until after Lessee shall have furnished Lessee with an instrument satisfactory to Lessee naming releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all of said minerals and horizons under a portion of said land, the delay rental and other payments unpaid in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

EXHIBIT

A

7454 K03

BEFORE THE OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case Nos. 13367 Exhibit No. 2
 Submitted by:
 Bass Enterprises Production Co.
 Hearing Date: June 5, 2006

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall terminate on its anniversary date next following the ninetieth (90th) day after such discontinuance unless on or before such anniversary date lessee either (1) commences operations or (2) commences or resumes the payment of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth (90th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other of said minerals, or the production of oil, gas or other of said minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, either than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in the depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the rights of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in said minerals, or any of them, in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein or not.

11. If, while this lease is in force, at or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

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

Sweetie J. Boyle
Sweetie J. Boyle, Indv. and as Ind.
Executrix of the Estate of R. E. Boyle, Dec.

STATE OF Texas)
COUNTY OF Midland) SS.

INDIVIDUAL ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that Sweetie J. Boyle, Indv. and as Ind.
Exec. of the Est. of R.E. Boyle, Dec. personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that he executed and delivered the same as her free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 10th day of July, 1981.
My Commission Expires 12-17-84

Dianna Fayk Shaw
Notary Public in and for said County and State, residing at
P. O. Box 7907, Midland 79703

STATE OF _____)
COUNTY OF _____) SS.

INDIVIDUAL ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that _____ and _____, to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that _____ he _____ executed and delivered the same as _____ free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

My Commission Expires _____

Notary Public in and for said County and State, residing at _____

WHEN RECORDED RETURN TO:

This instrument was filed for record on the 17th day of September, 1981 at 12:20 o'clock P.M., and duly recorded in Book 204, Page 192 of the Midland records of this office.

County Clerk
County of Midland State of Texas
Janice Pittman, Deputy

INDEXED
9/15/81

Produced by 24-M-64017-111

PAID UP
OIL AND GAS LEASE

THIS AGREEMENT made this 8 day of April, 1981, between
Joanne B. James a widow; Marille J. Bell (formerly Marille J. Cadell)
Jean Ann Tully Stell and husband, Phillip Stell; James G. DeBois, a single man,
 lessor (whether one or more), whose address is: 1504 Lincoln Drive, Carlsbad, New Mexico 88220
 and Beico Petroleum Corporation, lessee, WITNESSETH:

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purpose and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gasoline, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Eddy, State of New Mexico and is described as follows:

Township 23 South, Range 31 East, N.M.P.M.
Section 7: NE/4 NE/4

(Notwithstanding the provisions in Paragraph 3 herein, it is agreed that where the fraction 1/8th appears within said Paragraph 3, that the same shall for the purposes of this lease be deemed to read 3/16ths.)

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preferential right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 40 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Five (5)

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of 99 years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price, of such one-eighth part of such oil as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other of said minerals produced and marketed or utilized by lessee from said land, one-eighth either in kind or the market value thereof at the well, at lessee's election. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separators, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force, if this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the American Bank of Carlsbad, Carlsbad, New Mexico, or its successor,

which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$ 40.00, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessor pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein as to which proper payment or tender is made, or any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and lessee shall have no obligation to make any further tender or payment in connection therewith until after lessor shall have furnished lessee with an instrument satisfactory to lessee naming another bank or agent to receive such payment. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all of said minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

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6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall terminate on its anniversary date next following the ninetieth (90th) day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth (90th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other of said minerals, or the production of oil, gas or other of said minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessor shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, however effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, however effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in the depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the rights of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in said minerals, or any of them, in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

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

(JRB) [Signature]
(MJB) Marshall D. Bell
(KC) [Signature]
(JATS) Jean Ann Jully Stell

(PS) Phillip Stell
(JGD) James G. DeRitis

STATE OF New Mexico

COUNTY OF Eddy

INDIVIDUAL ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that Jean Ann Jully Stell and Phillip Stell, husband, to me personally known, and known to me to be the same persons, described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that they executed and delivered the same as their free and voluntary act and deed for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 23 day of June, 1981.
BUFORD L. NORRIS
My Commission Expires 12-1-83
NOTARY PUBLIC - NEW MEXICO
NOTARY BOND FILED WITH SECRETARY OF STATE

[Signature]
Notary Public in and for said County and State, residing at
Carlsbad, New Mexico

STATE OF New Mexico

COUNTY OF Eddy

INDIVIDUAL ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that James G. DeRitis and [Signature], to me personally known, and known to me to be the same person, described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that he executed and delivered the same as his free and voluntary act and deed for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 23 day of May, 1981.
My Commission Expires 12-1-83
NOTARY PUBLIC - NEW MEXICO
NOTARY BOND FILED WITH SECRETARY OF STATE

[Signature]
Notary Public in and for said County and State, residing at
Carlsbad, New Mexico

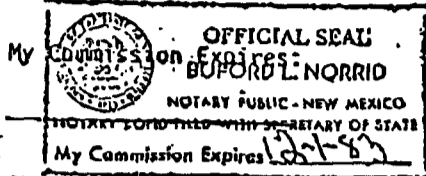
WITNESSES

STATE OF New Mexico

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COUNTY OF Eddy

On this 20 day of May in the year 1981, before me personally appeared Joanne B. James, a widow known to me to be the person(s) who is (are) described in and who executed the within instrument and acknowledged to me that she executed the same.

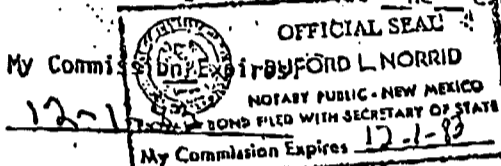


Buford L. Norrid
Notary Public

STATE OF New Mexico

COUNTY OF Eddy

On this 8th day of June in the year 1981, before me personally appeared Marilie J. Bell (formerly Marilie J. Cadell) known to me to be the person(s) who is (are) described in and who executed the within instrument and acknowledged to me that she executed the same.



Buford L. Norrid
Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 21 day of August, A. D. 1981 at 11:30 o'clock A. M., and duly recorded in Book 203, Page 471 of the Records of Misc of said County.

VIRGIE COLE, County Clerk

By Delva Norris Deputy

28881-5

PAID UP
OIL AND GAS LEASE

THIS AGREEMENT made this 22nd day of February, 1980, between

James Gordon DeBlois, as his sole and separate property and estate

known to the other as owner, whose address is 8305 Yeager N.E., Albuquerque, New Mexico 87109
and Belco Petroleum Corporation, 411 Pet. Bldg., Midland, Texas 79701, lessee. WITNESSETH:

1. Lessee, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessor hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and winning oil and gas, including casinghead gas, casinghead fuel gas, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "oil and minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and highways, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting and minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Eddy State of New Mexico and is described as follows:

Township 23 South, Range 31 East, N.M.P.M.

Section 7: NE/4 NE/4

(Notwithstanding the provisions in Paragraph 3 herein, it is agreed that where the fraction 1/8th appears within said Paragraph 3, that the same shall for the purposes of this lease be deemed to read 3/16ths.)

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by lessee by prescription, prescription, reversion or unrecorded instrument or (b) as to which lessee has a perfect right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 40 acres, whether actually containing more or less, and the above rental of acreage in any tract shall be deemed to be the true acreage thereof.

to be effective May 24, 1980

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of 10 years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, in from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the well as of the day it is run in the pipe line in storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other oil and minerals produced and marketed or utilized by lessee from said land, one-eighth either in kind or the market value thereof at the well, at lessee's election. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for as long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessor covenants and agrees to use reasonable diligence to produce, utilize or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separation, and lease tank, and shall not be required to waste labor or money in so doing. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated in the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the fee interest in any term royalty or mineral estate agrees that the receipt of royalty pursuant to this paragraph or of shut-in royalty (a) shall not be a change of or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 3 hereof, except that lessee may put so release as to lands within a unit where there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, mine or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or hydrocarbons, or to establish units containing not more than 80 surface acres, plus 10% acreage tolerance, provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 80 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensates) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the one required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and enforceable for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated in the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the fee interest in any term royalty or mineral estate agrees that the receipt of royalty pursuant to this paragraph or of shut-in royalty (a) shall not be a change of or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 3 hereof, except that lessee may put so release as to lands within a unit where there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, mine or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

✓ RIO GRANDE VALLEY BANK Bank at P.O. Box 14527, Albuquerque, NM 87191 or its successors,

which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$40.00 which shall operate as delay rental and cover the privilege of deferring operations for one year from said date, in like manner and upon like payments to lessor, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownership thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made, provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and lessee shall have no obligation to make any further tender or payment in connection therewith until after lessee shall have furnished lessee with an instrument satisfactory to lessee naming releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all of said minerals and horizons under a portion of said land, the delay rental and other payments commuted in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

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6. If at any time or times during the primary term operations are conducted on said land and at all operations are discontinued, this lease shall terminate after termination on its anniversary date in 1 following the nineteenth (19th) day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment of delay rental, provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date at the primary term, this lease shall terminate at the end of such term or on the nineteenth (19th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other of said minerals, or the production of oil, gas or other of said minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessee's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party herein may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and assigns or assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, however effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, however effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished in such record owner at his or its principal place of business by lessee or lessee's heirs, successors, or assigns, notice of such change or division, supported by either original or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the estate of the decedent in the depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessee considers that lessee has not complied with all its obligations hereunder, both express and implied, lessee shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessee. The service of said notice shall be precedent to the bringing of any action by lessee on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Notwithstanding the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations that in no event less than forty acres; such acreage to be designated by lessee as nearly as practicable as the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessee, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessee and/or assigns under this lease. If this lease covers a less interest in said minerals, or any of them, in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, whether or not subsequently determined to be invalid or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes, donates and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

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

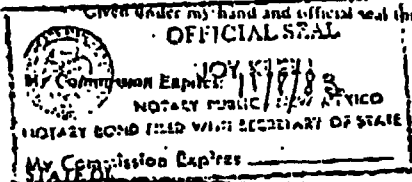
James Gordon DeBlois
James Gordon DeBlois
AS his sole and separate property

STATE OF NEW MEXICO

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF Bernalillo

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that James Gordon DeBlois to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that he executed and delivered the same as free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.



Joy K. Kistner
Notary Public in and for said County and State, residing at
1199 Montgomery Ave, P.O. Box 7111

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that _____ to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that he executed and delivered the same as free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

My Commission Expires:

Notary Public in and for said County and State, residing at

WHEN RECORDED RETURN TO:

This instrument was filed for record on the 14 day of May, 1982 at 11:30 o'clock A.M. and duly recorded in Book 184, Page 923 of the _____ records of this office.
County of Bernalillo State of New Mexico
By: Charles T. Wright Deputy

OIL AND GAS LEASE

THIS AGREEMENT made this 8th day of July, 1981, between
Charles L. Southard and wife, Irene L. Southard

lessor (whether one or more), whose address is P. O. Box 1162, Midland, Texas 79702
 and Relco Petroleum Corporation, lessee, WITNESSETH:

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purpose and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gas-oil, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Eddy, State of New Mexico and is described as follows:

NE/4 NE/4 Section 7, Township 23 South, Range 31 East, N.M.P.M.

(Notwithstanding the provisions in paragraph 3 herein, it is agreed that where the fraction 1/8th appears within said paragraph 3, that the same shall for the purposes of this lease be deemed to read 1/4th)

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (2) owned or claimed by lessee by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessee has a preferential right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 40 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of 10 years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessee in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessee the average posted market price of such one-eighth part of such oil at the well as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessee on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessee on all other oil and minerals produced and marketed or utilized by lessee from said land, one-tenth either in kind or the market value thereof at the well, at lessee's election. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessee or to lessee's credit in the Midland National Bank at Midland, Texas 79701 or its successors,

which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$ 40.00, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessee or to the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessee. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and lessee shall have no obligation to make any further tender or payment in connection therewith until after lessee shall have furnished lessee with an instrument satisfactory to lessee naming another bank as agent to receive such payment. Lessee may at any time and from time to time execute and deliver to lessee or file for record a release or release of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all of said minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date or the following the ninetieth (90th) day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or secures the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth (90th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the wellbore provisions of paragraph 3 or the provisions of paragraph 4 are applicable. Whenever used in this lease the word "operations" shall mean operations within the provisions of paragraph 3 or the provisions of paragraph 4 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other of said minerals, or the production of oil, gas or other of said minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successors in assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge of notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee must nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent or the depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respect lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on or against lessee for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Failure by lessee to meet or commence to meet all or any part of the breaches alleged by lessor within the time specified in said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in said minerals, or any of them, in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes downer and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

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

Charles L. Southard

W. K. Rose & Co.

Gene L. Southard

STATE OF Texas

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF Midland

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that Charles L. Southard and wife,
ex Irene L. Southard to me personally known, and known to me to be the same person 5 described in and who
executed the foregoing instrument, appeared before me this day in person and acknowledged to me that 1 he X executed and delivered the same as
their free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 10th day of July, 1981

My Commission Expires: 2-2-85

Notary Public in and for said County and State, residing at

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF _____

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that _____ and _____, to me personally known, and known to me to be the same person _____ described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that _____ he _____ executed and delivered the same as _____ free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead. Given under my hand and official seal this _____ day of _____ 19____.

My Commission Expires:

Notary Public In and for said County and State; residing at _____

WHEN RECORDED RETURN TO:

This instrument was filed for record on the 16 day of September, 1921 at 12:15 o'clock P.M. and duly recorded in Book 294, Page 148 of the Miscellaneous records of this office.

Wm. C. Cole County Clerk
County of El Dorado State of Thos. Mexico

Paid Up

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 27 day of January 1983, BY AND BETWEEN J. C. Mills and wife, Frances Juanita Mills

lessor (whether one or more), whose address is: Abernathy, Texas 79311
and Belco Petroleum Corporation
lessee whose address is: 411 Petroleum Building
Midland, Texas 79701

WITNESSETH:

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gasoline, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipelines, construct and utilize facilities for the purpose of exploring, producing, constructing roads and bridges, erecting buildings, structures, telephonic lines, power lines and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Eddy State of New Mexico, and is described as follows:

NE/4 NE/4 Section 7, T23S, R31E

(Notwithstanding the provisions in paragraph 3 herein, it is agreed that where the fraction appears within said paragraph 3, that the same shall for the purposes of this lease be deemed to read 3/16ths.)

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preferential right of acquisition or (c) all riparian rights and land acquired or affected by avulsion, relocations and accretion adjoining and adjacent to any streams, rivers, creeks or bodies of water and rights which are, or may be incident thereto and/or a part thereof, together with all the interests in the Oil and Gas Minerals underlying the bed of any stream, river, creek or body of water. For the purpose of determining the amount of any bonus or other payment

hereunder, said land shall be deemed to contain 40 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of XXXXXX years from the date hereof, hereinafter called "primary term," and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) to deliver to the credit of lessor in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the amount realized by lessee of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other said minerals produced and marketed or utilized by lessee from said land, one-tenth either in kind or the market value thereof at the well, at lessee's election. Lessor's interest to bear one-eighth of any and all costs incurred in the dehydrating, treating, transporting, boosting, compressing or otherwise processing such oil, gas and other hydrocarbons in order to make the same marketable. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to send labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, lessee shall pay or tender, by check or draft of lessee, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be

entitled to receive royalties which would be paid under this lease if the wells were producing, and may be deposited in the First National Bank

Bank at Box 1241, Lubbock, Texas 79408

or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases and from time to time to modify, amend or terminate such pooling or unitization. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations of a well shut-in for want of a market anywhere on a unit elsewhere herein specified, including shut-in gas royalties. Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that portion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the recurring right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, amend or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessee's right to enter into any cooperative or unit plan of development or operation, shall be accomplished by Lessee's execution of any document expressing Lessee's consent to any unit agreement and by filing such consent in the records of the County in which the lands described in this lease are located; Lessee's execution of such consent shall be binding as to both Lessor and Lessee and their respective interests.

5. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or riparian thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetieth (90th) day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth (90th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other said minerals, or the production of oil, gas or other said minerals, whether or not in paying quantities.

7406-603

Located on said land J.C.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 600 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to existing property on said land.

8. The rights and estate of any party herein may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successive assigns. No change or division in the ownership of said land, royalties or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary in operations of the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interest hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. If this lease covers a less interest in said minerals, or any of them, in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

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

Frances Juanita Mills
Frances Juanita Mills

J.C. Mills
J.C. MILLS

STATE OF Texas

INDIVIDUAL ACKNOWLEDGEMENT

COUNTY OF Hale

SS. [Redacted]

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that J.C. Mills and wife, Frances Juanita Mills

to me personally known, and known to me to be the same person S described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that they executed and delivered the same as their free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 16 day of January, 19 83

My Commission Expires:



WILMA W. BRISTOW
Notary Public, State of Texas
My Comm. Expires May 3, 19 84

Wilma W. Bristow
Notary Public in and for said County and State, residing at

Abernethy, Texas

STATE OF _____

INDIVIDUAL ACKNOWLEDGEMENT

COUNTY OF _____

SS. _____

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that _____ and _____

to me personally known, and known to me to be the same person _____ described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that _____ executed and delivered the same as _____ free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this _____ day of _____, 19 _____

My Commission Expires:

Notary Public in and for said County and State, residing at _____

WHEN RECORDED RETURN TO:

This instrument was filed for record on the 18 day of

April, 1983, at 10:58 o'clock A. M.,

and duly recorded in Book 222, Page 553 of the

Miscellaneous records of this office.

Virgie Cole County Clerk

County of Eddy State of New Mexico

By: Juanita Pittman, Deputy

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