

**ADDENDUM A
TO THE RANDALS' OIL AND GAS LEASE**

SURFACE AGREEMENT

In consideration of the mutual promises and covenants contained in this Lease, it is agreed by and between the Parties as follows:

A. Lessor grants to Lessee the right and privilege to use existing roads and to construct, as necessary, new roads on the Lessor's lands to allow Lessee to obtain ingress to and egress from lands described in the Lease, together with the right to lay, operate, repair pipe lines to transport oil and gas produced under and pursuant to the terms of the Lease.

B. Subject to other provisions herein, Lessor grants to Lessee the right to establish and utilize facilities for the disposal of salt water, and other structures reasonably necessary to Lessee's operation in drilling for, producing, storing and transporting the minerals produced from the land described herein.

C. Subject to other provisions herein, upon written request by Lessee and written approval by Lessor, Lessor grants to Lessee the right and privilege to remove sand, gravel, caliche and other road building materials from existing pits, or other pits which Lessor may, in writing, authorize Lessee to open on the Lessor's lands for use by Lessee in compliance with its obligations under this Lease.

D. Lessor will negotiate in good faith with Lessee for the sale of water situated on or under the Lessor's lands from wells, ponds or tanks which may be situated thereon, to the extent that such, will not materially interfere with the Lessor's requirements for the use of the water from such sources in the conduct of their ranching and domestic operations.

E. Unless Lessor shall otherwise hereafter agree in writing, Lessee, with respect to all operations within the confines of the Lessor's lands, shall:

1. Temporarily fence the area, of each drilling site and related pits, with a fence suitable to prevent livestock from entering the drilling and pit area prior to commencing drilling operations and to minimize the size of the surface area disturbed in connection with each drilling site. The temporary fence is to define a boundary within which Lessee's equipment and personnel are to be located and said area may be increased by Lessee, as is reasonable in the circumstances, for the furtherance of Lessee's drilling operations. In no case shall the drilling site be larger than four (4) acres without the written approval of Land Owner, which shall not be unreasonably withheld or delayed. Lessee will remove the temporary fence required under this subparagraph within a reasonable time, not to exceed one hundred twenty (120) days, after drilling activities for the applicable well are completed. At all times the Lessee shall maintain and repair the temporary fence in good order.

2. When requested by Lessor, bury any and all pipelines to a depth of not less than thirty-six inches (36") below the undisturbed surface of the ground.

3. Conduct no operations within one thousand feet (1,000') of a house, barn or other structure in existence on the date of this Lease, without the written authorization of Lessor.

4. Within one hundred eighty (180) days after the Lease has terminated, remove all machinery, equipment, structures and fixtures, placed on the land by Lessee. Should Lessee fail to remove said items within one hundred eighty (180) days after the termination of the Lease, Lessee shall pay Lessor the sum of One Hundred Dollars (\$100.00) per day for storage until such time as said items are removed.

5. Pay Lessor a reasonable compensation for damages to the land, vegetation thereon, personal property and improvements situated on Lessor's lands, that are caused by operations conducted by or for Lessee. At each new drilling site, Lessee shall remove the first six inches (6") of topsoil and pile it near the well site for use in subsequent reclamation of the site. All areas of soil disturbed by Lessee shall be ripped and recontoured to conform with preexisting grade, and no recontoured slope shall exceed a grade of five (5) linear feet to one (1) foot in elevation. All noxious weeds growing from the soil disturbed by Lessee shall be promptly removed to allow the return of the native grasses reseeded by Lessee as provided herein. Lessee shall provide Lessor written notice at least thirty days prior to the reclamation of any roadway used by Lessee herein, and Lessor shall have the option to retain the roadway, and thereafter Lessee shall be relieved of its obligation to maintain or reclaim said roadway. Lessee shall install and maintain in good condition, at Lessee's expense, a sixteen foot (16') steel gate complete with H braces at all entrances, each point a road enters the leased premises from adjacent public or private lands, each point where fences cross trunk or feeder roads. Lessee agrees to install a gated cattle guard with an adjacent sixteen foot (16') gate of four inch (4") pipe at each point described herein. Lessee shall promptly restore all fences which may have been damaged during Lessee's operations on the leased premises to the same condition as such fences existed prior to such damage.

6. Utilize lands having a width of no more than thirty feet (30') in width for roads and pipelines across Lessor's lands, and for egress therefrom, to use only existing roads and pipeline rights-of-way, except that as reasonable in the circumstances, and with Land Owner's approval, which shall not be unreasonably withheld or delayed, Lessee may use additional lands.

7. At all times prevent the contamination of any and all waters in surface tanks, or other storage facilities approved by Lessor, and all surface and subsurface water bearing strata situated on Lessor's lands; prevent contamination of the surface of the leased premises from any and all substances used by Lessee.

8. Upon removal of the temporary fencing, as described in Subparagraph 1 herein, Lessee shall cause to have constructed a permanent five (5) wire, barbed wire fence with steel t-posts every ten feet (10') and with braced corner posts sufficient to assure the integrity of the permanent fencing. Said fencing shall encompass an area no larger than necessary for the continued operation of each individual well. Gates through the permanent fencing to the well sites shall be closed at all times after ingress and egress.

9. Keep all roads, creek and arroyo crossings, traversed by Lessee, maintained, graded and passable at all times.

10. At Lessor's written request, install cattle guards at all fence crossings, set in concrete to a depth of not less than three feet (3'), and of a sufficient width to allow entry of all equipment. Lessee shall install a lockable swinging arm three feet (3') above the surface of each cattle guard installed to prevent access. Lessee shall install adequate steel H-frames on each side of the site of the cattle guard before cutting the fence to install the cattle guard. Lessee shall maintain said cattle guards in good repair and working order throughout the term of the Lease, clean and clear of debris. At all times gates shall be closed and secured upon ingress and egress by Lessee.

11. At all times and during all of Lessee's operations upon the leased premises, Lessee shall take whatever reasonable actions are necessary to control dust and to prevent erosion of Lessor's lands and promptly repair such as may occur.

12. Lessee shall not permit the consumption of alcoholic beverages, untended fires, discharge of firearms, hunting or other activities by Lessee's employees, agents and invitees, and not specifically provided for in this Lease.

13. Place and maintain trash receptacles at each well site or pipeline construction site, and at all times prevent the deposit of litter, trash and all other refuse on the Leased premises. Said litter, trash and refuse shall be properly disposed of at the nearest approved solid waste facility. Lessor shall have the right to impose upon Lessee a One Hundred Dollar (\$100.00) fine each time trash is found on the premises not in a proper receptacle.

14. Pit liners installed on the leased premises shall be of no less thickness than fifteen (15) mil., and at all times maintained in good repair to prevent the contamination of Lessor's lands and ground water. As soon as practicable, Lessee shall remove all pit liners in an appropriate manner, determine with Lessor's concurrence, that no contamination has occurred to the premises, fill and level all pits with uncontaminated topsoil, and restore all pit, drill sites and pipeline rights-of-way, to the maximum extent practicable, to original condition, to including the reseeding of the disturbed area during the growing season.

15. In laying pipelines, Lessee shall make no cuts in the grass turf on Lessor's lands except as necessary to enable pipe laying machinery to operate; and with respect to said pipelines, promptly fill in all open all trenches, bury all rocks dislodged, and fill all sinkholes as may develop during the term of the Lease.

16. Maintain and enforce a speed limit of no more than fifteen (15) miles per hour on the leased premises and water those areas of road that are prone to erosion. Lessor shall have the right to impose a One Hundred Dollar (\$100.00) fine for each violation.

17. Provide, maintain and service portable toilets at all drilling sites while drilling and completion operations are being conducted.

18. Leave cased and in good condition, for use by Lessor, such water wells as Lessee may be authorized to drill on Lessor's lands.

19. Use no part of Lessor's lands for the storage of machinery, equipment, supplies, pipe or other property while it is not being used, and use no part of leased premises to house employees except temporarily at well sites while wells are being drilled or completed on such well sites, without mutual approval of Land Owner, which shall not be unreasonably withheld or delayed, and at a cost not to exceed One Thousand Dollars (\$1,000.00) per acre.

20. Use no chemicals or apply no manufactured chemical substances on roads and land covered by drill sites or rights-of-way.

21. Lessee shall not permit the construction or use of salt water disposal pits on the leased premises. If there is a disposal well, it must be approved by the Oil Conservation Division of the State of New Mexico, and no entity, other than Lessee, shall be authorized to use said disposal well, without the prior written approval of Lessor, which shall not be unreasonably withheld or delayed. If Lessor grants approval for commercial use of the disposal well by entities other than Lessee, Lessor shall be paid one-half ($\frac{1}{2}$) of the commercially reasonable disposal fee for the use of the disposal well. Should Lessee sell salt water commercially, Lessor shall be paid one-half ($\frac{1}{2}$) of the commercially reasonable fee.

22. Lessee shall not permit the construction or operation of compressors on the leased premises without the written permission of Land Owner, which shall not be unreasonably withheld or delayed, and said construction or operation of compressors shall be under a separate agreement between Lessee and Land Owner.

F. For the rights and privileges herein granted, including rights of ingress and egress, Lessee agrees to pay Lessor the following sums:

1. For each new well location drilled hereafter by Lessee, within the confines of Lessor's lands the sum of Two Thousand Dollars (\$2,000.00) per well location, and an amount equal to Five Hundred dollars (\$500.00) for use of each mile of existing road without duplication and Eight Hundred Dollars (\$800.00) for each mile of new road required to be constructed by Lessee to obtain ingress and egress from such well. The Eight Hundred Dollar (\$800.00) rate specified herein, as payment to become owing to Lessor for roads, shall apply both to new roads constructed by Lessee and existing roads which are now inadequate for oil field operations and which Lessee must rebuild in order to convert the same to oil field use. The amount payable for each well location shall include all charges in connection with such location including tank battery usage provided said tank battery and other production equipment is located on the pad for the well site. If a tank battery or other production equipment is placed at a location separate from the pad for the well site, such separate location shall be deemed a well location for the purposes of this subparagraph and an additional amount of One Thousand Five Hundred Dollars (\$1,500.00) shall be paid for the same. The foregoing sums shall be payable at or before the time when the drilling of each such well commences, except that payment for a separate tank battery or production equipment location shall not be due until installation is complete on the separate locations.

2. For each pipe line to be laid or replaced on Lessor's lands, the sum of Twenty Dollars (\$20.00) per linear rod of pipe line shall be paid to Lessor before work commences.

3. The sum of Two Dollars (\$ 2.00) per cubic yard of sand, gravel, caliche or other road building substances removed from the existing pits or pits hereafter opened, as provided herein, by Lessee or its invitees, to be calculated and paid within ten (10) days after the close of the calendar month in which such materials are used.

G. Roadways, pipelines, power lines, and telephone lines: Lessor hereby grants to Lessee the right to construct roadways, pipelines, electrical power lines, and telephone lines for the development and operation of the leased premises for the purposes of the Lease:

1. Roadways: The right to construct and maintain roadways as reasonably necessary and to use and maintain existing roadways on Lessor's lands and to establish said new and existing roadways as private roadways and to maintain said roadways as crowned, all-weather roadways which shall at no point exceed thirty feet (30') in width without the written approval of Lessor, which shall not be unreasonably withheld or delayed.

2. Pipe lines: The right to construct and maintain pipelines as herein provided, and Lessee shall bury all pipelines to a minimum depth of thirty-six inches (36").

3. Power lines and Telephone lines: The right to construct and maintain power lines and telephone lines across Lessor's lands so long as said lines are reasonably necessary and that said lines shall be buried or located pursuant to a mutual agreement between Lessor and Lessee.

4. With respect to Subparagraphs 1 through 3 of Paragraph G herein, the Parties hereto agree that they will consult with one another in an effort to arrive at an orderly plan for locating these items in a manner which is practicable for the purposes of the operation of the Lessor's ranch and which is practicable for the purposes of Lessee under the Lease. Lessee hereby agrees to, at all times, preserve and respect the natural and esthetic value of Lessor's lands and will avoid activities that would damage or otherwise disrupt Lessor's peaceful and quiet enjoyment of the lands.

H. Lessee shall neither directly or indirectly, compete with Lessor to acquire private or state grazing leases within the confines of the leased premises.

I. Lessee and its assigns do hereby covenant and agree to indemnify and hold Lessor free and harmless against any and all loss, damage, claims, injury, demands and suits which Lessor may suffer or incur as a result of or related to Lessee's operations on the leased premises, excluding any portion of such loss, damage, claim, demand or suit resulting directly from the negligence or willful misconduct of Lessor's agents or invitees.

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