

TRACT #DESCRIPTION	ACRES	LEASE #	LESSOR	LESSEE	DATE	EXPIRATION	INT./ROYALTY	NET ACRES	AND PERCENTAGE	PRODUCTION	OTHER
16A - Section 6, T. 16-S, R. 26-E, Lot 2	60.83		Warren M. Snyder (Snyder Ranches)	Austral	3/21/58	3/21/59	Full Int. 3/16 Royalty	60.83	Gillespie, et al	(3)	Snyder EC Com #1 Well
16B, 17 & 22B - T. 16-S, R. 36-E, Section 6, Lot 1, 7 & 8, Section 5, Lot 5	170.81		Warren M. Snyder (Snyder Ranches)	Austral	7/20/56	7/20/61	Full Int. 5/32 Royalty	170.81	Gillespie, et al	(3)	Snyder EC Com #1 Well Snyder C #4
22A, 23A - T. 16-S, R. 36-E, Section 5, Lots 3 & 4	101.53		Warren M. Snyder (Snyder Ranches)	Austral	4/29/58	4/29/59	Full Int. 1/4 Royalty	101.53	Gillespie, et al	(3)	Proposed Location by Gillespie in Lot 4

(1) Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

(2) Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

(3) When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, regulation or necessity of the government, or as a result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. And if from such cause, lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises or land pooled therewith, the time while lessee is so prevented shall not be counted against lessee, and this lease shall be extended for a period of time equal to that during which such lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from, such leased premises or land pooled therewith, notwithstanding any other provision hereof.

1740
FAXED
7-29-92



25667

18/

NEW MEXICO A-7
L-208-1-61 (Form 830)

OIL, GAS AND MINERAL LEASE

HALL-POORBAUGH PRESS
ROSWELL, NEW MEXICO

THIS AGREEMENT made this 20 day of July

1956

between

WARREN M. SNYDER, ALSO KNOWN AS WARREN SNYDER AND AS W. M. SNYDER,

Dealing with his sole and separate property,

of Lovington, New Mexico.

(Post Office Address)

AUSTRAL OIL EXPLORATION COMPANY, INC.

lessor

herein called lessor, (whether one or more), and Ten and No/100 Dollars \$10.00
 in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and
 lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas, and all other minerals,
 injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and
 things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise
 caring for its employees, the following described land in Lea County, New Mexico, to-wit:

Lots One (1), Seven (7) and Eight (8) in Section 6, Township
 16 South, Range 36 East, and Lot Five (5) of Section 5,
 Township 16 South, Range 36 East, N.M.P.M.,

of Section

Township

Range

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 170.81 Acres, whether it actually
 comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of five (5) years from this date (called "primary term"), and as
 long thereafter as oil, gas, or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 5/32nds of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 5/32nds of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 5/32nds of the amount realized from such sale; (c) on all other minerals mined and marketed, 5/32nds either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety-day (90-day) period, lessee or any assignee hereunder may pay or tender an advance annual royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and if such payment or tender is made, this lease shall continue in force and it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be paid or tendered in the same manner as provided herein for the payment or tender of delay rentals; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

4. If operations for drilling or mining are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate.

terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of 170.81

Dollars (\$ 170.81) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months each during the primary term. Payment or tender may be made to the lessor or to the Lea County State Bank of

Lovington, New Mexico _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's successors and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender, and any depositary charges is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more than one, on or before the rental paying date.

1. Lessee is hereby granted the right to pool or utilize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas, or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent of ten per cent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten per cent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of an oil or gas field or allocate a producing allowable on acreage per well, then any such unit designations may embrace as much additional acreage as may be prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of work. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or upon production from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were pooled in lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

particular unit involved.

3. If, prior to discovery of oil, gas, or other minerals on said land or on land pooled therewith, lessee should drill and abandon a dry well or hole thereon, or after discovery of oil, gas, or other minerals the production therefrom should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or if, but within the primary term commences or resumes the payment or tender of rentals on or before the expiration of the primary term, then, if, within the three (3) months from date of completion and abandonment of said dry hole or holes or the cessation of production, lessee commences or resumes the payment or tender of rentals on or before the expiration of the primary term, oil, gas, or other mineral is not being produced on said land or land pooled therewith but lessee is then engaged in drilling, mining or reworking of any well or mine thereon, this lease shall remain in force so long as such operations or said additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than sixty (60) consecutive days, and, if they result in production, so long thereafter as oil, gas, or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred feet (200 ft.) of and draining the leased premises, lessee agrees to drill such offset wells as a reasonable prudent operator would drill under the same or similar circumstances.

7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling, and secondary recovery operations, and the royalty shall be computed after deducting the cost of such operations, and the right of any and all operations shall be subject to the right of the lessor to shut in the well at any time during or after the expiration of this lease, and the well shall be plugged and fixtures placed by lessee on said land, including the right to draw and remove a casing. When such operations are completed, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn nor on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

The principal covenants hereon, out of any surplus or proceeds, operations or income from the lands covered by the provisions hereof shall extend to the heirs, successors, administrators, assigns, devisees or assigns of either party hereto in whole or in part and the provisions hereof shall extend to the heirs, successors, administrators, assigns, devisees or assigns of either party hereto. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease in its entirety shall not affect the extent of such assignment, rental or royalty payments, and no assignment of all or part of the leased premises or of the lease shall constitute an assignment of the lease. If any assignee or assignees of either party hereto fail to comply with the provisions of this lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals.

19. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with third parties, or any other cause beyond the control of the lessee, or by any other cause beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations; and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation; And if from such cause lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises, then the period of time during which such operations are prevented shall be counted against the lessor, and the period of time during which such lease is so prevented from conducting drilling or reworking operations on or producing oil or gas from, such leased premises or land pooled therewith, shall not be counted against the lessee, anything in this lease to the contrary notwithstanding any other provision hereof.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid lessor shall be reduced proportionately should any one or more of the parties named above as lessors fail to execute this lease; it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs and assigns by delivering or mailing a copy thereof to the lessor or by placing the same of record in the county in which said land is situated; thereupon Lessee, shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and the entire rental payable hereunder shall be reduced in the proportion that the acreage so surrendered bears to the total acreage covered hereby by said lease or releases.

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

WITNESSES

and the lesser the rentals payable hereunder shall be reduced in the propor-

THE STATE OF NEW MEXICO

COUNTY OF LEA

On this 20th day of JULY, A. D., 1956, before me personally appeared Warren M. Snyder, also known as Warren Snyder and as W. M. Snyder, dealing with his sole and separate property, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My commission expires: My Commission Expires March 11, 1958

Francis B. Macatee
Notary Public

THE STATE OF NEW MEXICO

COUNTY OF _____

On this _____ day of _____, A. D., 19____, before me personally appeared _____, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My commission expires: _____

Notary Public

THE STATE OF NEW MEXICO

COUNTY OF _____

On this _____ day of _____, A. D., 19____, before me personally appeared _____, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My commission expires: _____

Notary Public

25667

Oil, Gas and Mineral Lease
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF Lea

I hereby certify that this instrument was filed for record on the 20 day of Sept., A. D., 1956, at 10:10 o'clock A m., and was duly recorded in Book _____ at Page _____ of the Records of said County.

County Clerk.

Deputy

THE STATE OF NEW MEXICO

COUNTY OF _____

On this _____ day of _____, A. D., 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My commission expires: _____

Notary Public

AUSTRAL OIL EXPLORATION COMPANY
INCORPORATED
300 SAN JACINTO BUILDING
HOUSTON 2, TEXAS

50861

NEW MEXICO A
L-258-4-51 (Form 330)

OIL, GAS AND MINERAL LEASE

HALL-POORBAUGH PRESS
ROSWELL, NEW MEXICOTHIS AGREEMENT made this 29th day of APRIL, 1958 betweenWARREN M. SNYDER, ALSO KNOWN AS WARREN SNYDER AND AS W. M. SNYDER,
DEALING WITH HIS SOLE AND SEPARATE PROPERTY, JOINED BY HIS WIFE, REBA
SNYDER, of Lovington, N. Mexico of _____
(Post Office Address)herein called lessor (whether one or more), and AUSTRAL OIL EXPLORATION COMPANY INCORPORATED lessee:TEN AND NO/100Dollars (\$ 10.00)

1. Lessor, in consideration of _____ in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas, and all other minerals, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise

caring for its employees, the following described land in LEA County, New Mexico, to-wit:

LOTS 3, 4 and 6

of Section Five (5) Township 16 South Range 36 EastFor the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 141.53 acres, whether it actually comprises more or less.
2. Subject to the other provisions hereof, this lease shall remain in force for a term of ten (10) years from this date (called "primary term"); and as long thereafter as oil, gas, or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-quarter (1/4) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 1/4 of the gas sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; (c) on all other minerals mined and marketed, 1/4 either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety-day (90 day) period, lessee or any assignee hereunder may pay or tender and advance annual royalty of One Dollar (\$1.00) per acre, and if such payment or tender is made, it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be so paid or tendered in the same manner as provided herein for a maximum period of three (3) years; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

THE STATE OF NEW MEXICO

COUNTY OF Lea

On this 29 day of April, A. D., 1958, before me personally appeared Reba Snyder, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My Commission Expires Dec. 23, 1959

My commission expires:

W. J. Mucater
Notary Public

My Commission Expires:

My Commission Expires:

Notary Public

50861

No.

OIL, GAS AND MINERAL LEASE

NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO

COUNTY OF Lea

I hereby certify that this instrument was filed for

record on the 16th day of June,

A. D., 1958, at 8:55 o'clock a. m., and

was duly recorded in Book _____ at Page _____

of the Records of said County.

County Clerk

By

Deputy.

THE STATE OF NEW MEXICO

COUNTY OF _____

On this _____ day of _____, A. D., 19____, before me appeared _____,

to me personally known, who, being by me duly sworn, did say

that he is the _____ President of _____, and that the seal affixed to

said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by

authority of its board of directors, and said _____

acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

My commission expires:

Notary Public

OIL, GAS AND MINERAL LEASE

48300

RECEIVED BY THE STATE OF NEW MEXICO

THIS AGREEMENT made this 21st day of MARCH 1958 between

WARREN M. SNYDER, ALSO KNOWN AS WARREN SNYDER AND AS W. M. SNYDER, DEALING WITH HIS
SOLE AND SEPARATE PROPERTY, JOINED BY HIS WIFE, REBA SNYDER, Lovington, New Mexico,
(Post Office Address)

herein called lessor (whether one or more), and AUSTRAL OIL EXPLOATION COMPANY INCORPORATED lessee:

1. Lessor, in consideration of TEN AND NO/100 Dollars (\$ 10.00) in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas, and all other minerals, including gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in LEA County, New Mexico, to-wit:

LOT NO. TWO (2)

of Section SIX shut-in Township 16 SOUTH Range 36 EAST

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 50.83 acres, whether it actually comprises more or less.
2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) year from this date (called "primary term"), and as long thereafter as oil, gas, or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, three-sixteenths (3/16ths) of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casing-head gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16ths of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16ths of the amount realized from such sale; (c) on all other minerals mined and marketed, 3/16ths either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton; and (d) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (d) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substances and wells classified as gas wells by any governmental authority; such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety-day (90-day) period, lessee or any assignee hereunder may pay or tender an advance annual royalty of One Dollar (\$1.00) per acre, and if such payment or tender is made, it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date such well or wells are shut in, and in like manner subsequent advance annual royalty payments may be made and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance royalty may be so paid or tendered in the same manner as provided herein for a maximum period of three (3) years; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

BEADLE #1
(Minimum Production)

- Tract 1: A 19.9837 acre tract out of SW/4 SW/4 more particularly described as beginning at the SW corner of the SW/4 of Section 35, T-15-S, R-35-E; thence North 933 feet; thence East 933 feet; thence South 933 feet; thence West 933 to point of beginning.
- Tract 2: SW/4 SW/4 of Section 35, T-15-S, R-35-E
Save and Except Tract 1 above containing 20.0163 acres more or less.
- Tract 3: NW/4 SW/4 of Section 35, T-15-S, R-35-E
Containing 40 acres more or less

*Ownership in above Tracts

	<u>Energen</u>		<u>Arrington</u>	
	<u>Interest</u>	<u>Acres</u>	<u>Interest</u>	<u>Acres</u>
Tract 1:	100.0000%	19.9837	-0-	-0-
Tract 2:	41.6667%	8.3401	58.3333%	11.6762
Tract 3:	93.7500%	<u>37.5000</u>	6.2500%	<u>2.5000</u>
<u>Acres Total</u>		65.8238		14.1762

Ownership in W/2 SW/4 Energen Resources Corporation 82.27975%
David H. Arrington Oil & Gas, Inc. 17.72025%

Oil and Gas Leases

<u>Lessor</u>	<u>Current Lessee</u>	<u>Date</u>	<u>Recorded</u>		<u>Minimum Production</u>
			<u>Volume</u>	<u>Page</u>	
1. Layton J. Estlack and Reba L. Estlack, his wife	Energen Resources Corporation	5/21/96	739	692	(1)
2. Vera Dickson and her husband, R. S. Dickson	Energen Resources Corporation	10/8/96 (Amended)	764 947	197 341	(1)
3. Lila Hughes, a widow	Energen Resources Corporation	10/8/96	773	118	(1)
4. L. Ruth Pritchard and her husband, James Earl Pritchard	Energen Resources Corporation	10/9/96	773	120	(1)
5. Paul E. Powell A-I-F for E. E. Powell	David H. Arrington Oil & Gas, Inc.	5/15/98	885	613	(1)
6. Lee Brixey Eastlake, a widow	David H. Arrington Oil & Gas, Inc.	5/29/98	893	84	(1)
7. Donna Estlack Hicks	David H. Arrington Oil & Gas, Inc.	5/15/98	885	619	(1)
8. Allen H. Estlack	David H. Arrington Oil & Gas, Inc.	5/15/98	890	278	(1)
9. Ruby Dell Estlack, a widow	Energen Resources Corporation	3/12/99	945	547	(2)
10. David L. Estlack A-I-F for Eugene H. Estlack	David H. Arrington Oil & Gas, Inc.	5/15/98	885	604	(1)

STATE OF New Mexico
County of Eddy

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on
19 96 by Chester A. Beadle and Margaret Beadle, husband and wife
My Commission expires 12/1/91, 19 98 [Signature]
Notary Public

STATE OF New Mexico
County of Eddy

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on
19 by
My Commission expires , 19
Notary Public

STATE OF
County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on
19 by
My Commission expires , 19
Notary Public

STATE OF
County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on
19 by
My Commission expires , 19
Notary Public

By

I hereby certify that this instrument was filed for record on
the day of
A. D. 19 at o'clock m. and
was duly recorded in Book at page
of the Records of said County.

STATE OF NEW MEXICO
COUNTY OF

Term

No. of Acres County, New Mexico

Date , 19
Section , Township , Range

STATE OF NEW MEXICO
COUNTY OF LEA
FILED
DEC 5 1996

at 11:47 o'clock A M
and recorded in Book 764
Page 199
Pat Chappelle, Lea County Clerk
By NB Deputy

No.
OIL AND GAS LEASE
NEW MEXICO

STATE OF
County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on , 19
by as corporation
for on behalf of said corporation.
My Commission Expires Notary Public

STATE OF
County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on , 19
by as a corporation
for on behalf of said corporation.
My Commission Expires Notary Public

<u>Lessor</u>	<u>Current Lessee</u>	<u>Date</u>	<u>Recorded</u>		<u>Minimum Production</u>
			<u>Volume</u>	<u>Page</u>	
11. Joe Boyd	Energen Resources Corporation	11/1/96	774	515	(1)
12. Dorothy Teague	Energen Resources Corporation	10/30/96	774	511	(1)
13. Norma Boyd	Energen Resources Corporation	10/30/96	774	513	(1)
14. Gwendoly Dirickson	Energen Resources Corporation	3/12/99	943	651	(2)
15. Barbara Blackledge	Energen Resources Corporation	3/12/99	943	649	(2)
16. Jerry D. Boyd	Energen Resources Corporation	10/30/96	774	523	(1)
17. Thomas W. Boyd	Energen Resources Corporation	11/1/96	774	517	(1)
18. Charles W. Boyd	Energen Resources Corporation	10/11/96	774	519	(1)
19. Opal N. Stout	Energen Resources Corporation	10/30/96	774	521	(1)
20. C. E. Boyd, Jr.	Energen Resources Corporation	3/12/99	947	346	(2)
21. Rose Mary Nicks	Energen Resources Corporation	3/12/99	947	348	(2)
22. Patricia Estlack Sammons	David H. Arrington Oil & Gas Inc.	5/15/98	887	265	(1)
23. Barbara Estlack Brock	David H. Arrington Oil & Gas Inc.	5/15/98	890	282	(1)
24. Dana Estlack Shay	David H. Arrington Oil & Gas Inc.	5/15/98	890	280	(1)
25. Ira Jean Estlack Chunn	David H. Arrington Oil & Gas Inc.	5/15/98	885	608	(1)
26. Philip Glenn Adams and Donna J. Adams, husband and wife	David H. Arrington Oil & Gas Inc.	5/15/98	882	339	(1)
27. Thelma Eva Gorney	Energen Resources Corporation	10/10/96	764	201	(1)
28. Barbara Gayle Young	Energen Resources Corporation	11/15/96	774	503	(1)
29. Gary Nelson Joiner	Energen Resources Corporation	10/10/96	774	501	(1)
30. Jay Neil Joiner	David H. Arrington Oil & Gas, Inc.	7/24/98	901	141	(1)
31. Chester H. Beadle and Margaret Beadle, husband and wife	Energen Resources Corporation	10/8/96	764	199	(1)
32. Carolyn Sue Harris	Energen Resources Corporation	3/12/99	951	109	(2)
33. Audry Jane Shepard	Energen Resources Corporation	3/12/99	950	361	(2)

Leases 1-25 and 32-33 cover the NW/4 SW/4 of Section 35, containing 40 acres, more or less;

Leases 26-30 cover the SW/4 SW/4 of Section 35, save and except 19.9837 acres in the SWC thereof, containing 20.0163 acres, more or less; and

Lease 1 and 31 cover the 19.9837 acre tract in the SWC of the SW/4 SW/4 of Section 35.

PAID-UP
OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 12th day of March, 1999, between Audry Jane Shepard, dealing in
her own sole and separate property
of 4009 Bluff Drive, Belvidere, IL 61008

as Lessor (whether one or more) and Energen Resources Corporation
of 3300 N. "A" Street, Bldg. 4, Suite 100, Midland, TX 79705

as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants exclusively to Lessee the following described land:

NW/4 SW/4 of Section 35, T-15-S, R-35-E, N.M.P.M.,

in the County of Lea, State of New Mexico, containing 40.00 acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

2. Term of Lease. This lease, which is a "paid up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith, or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be three-sixteenths (3/16) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same or nearest field for production of similar grade and gravity; (b) For gas (including casinghead gas) and all other substances covered hereby, the royalty shall be three-sixteenths (3/16) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the costs incurred by Lessee in delivering, processing or otherwise making such gas or other substances merchantable, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same or nearest field pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If a well on the leased premises or lands pooled therewith is capable of producing gas (including casinghead gas) but such well is either shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor, and if this lease is not otherwise maintained in effect, such well shall nevertheless be considered as though it were producing gas in paying quantities for the purpose of maintaining this lease, whether during or after the primary term, if Lessee pays shut-in royalty of One Dollar per acre then covered by this lease, such payment to be made to Lessor on or before the next ensuing anniversary date of this lease, or within 90 days after such anniversary date, and thereafter on or before each anniversary date hereof while the well is shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor. For the purpose of calculating shut-in royalties, the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

4. Operations. If at the end of the primary term or at any time thereafter this lease is not otherwise being maintained in force, it shall nevertheless remain in force as long as Lessee engages in drilling, reworking or any other operations reasonably calculated to obtain or restore production on the leased premises or lands pooled therewith without an interruption of more than 90 consecutive days, and, if such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities.

5. Pooling. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to oil or gas or both, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, except that larger units may be formed for oil wells or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production produced and saved which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. The restrictions and requirements of this Paragraph 5 shall not apply to compulsory pooling of interests effected by operation of law or by order of any governmental authority having jurisdiction, but all other references to pooling contained in this lease shall include such compulsory pooling as well as pooling effected under this Paragraph 5.

6. Lesser Interest. If Lessor owns less than the entire and undivided mineral estate in the above-described land or any portion thereof, the royalties and shut-in royalties herein provided shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in said land or portion thereof.

7. Ownership Changes. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 45 days after Lessee has been furnished certified copies of the documents effecting such change, or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order, which Lessor hereby agrees to execute prior to the payment of royalties hereunder. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to such persons jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to the interest not so transferred.

8. Release of Lease. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder, and for such purpose the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

9. Ancillary Rights. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises and adjacent land owned by Lessor as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. The right of ingress and egress granted hereby shall apply to the entire leased premises notwithstanding any release or other termination affecting any portion thereof. When requested by Lessor in writing, Lessee shall bury its pipelines below deep plow depth. Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises, and to timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease or within a reasonable time thereafter.

10. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, war, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof.

11. Breach or Default. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default but Lessee fails to do so.

12. Warranty of Title. Lessor hereby warrants and agrees to defend Lessee's title hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If it exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder until Lessee has been furnished satisfactory evidence that such claim has been resolved in Lessor's favor.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, and upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove names as Lessor.

LESSOR (Whether one or more):

Original Ann Harlan
Copy in Midland file
Ls/Assig.#
Date 4/30/99

Audrey Jane Shepard
Audry Jane Shepard

456-74-8200
SS#

ACKNOWLEDGMENT

STATE OF IL)
COUNTY OF Boone)

This instrument was acknowledged before me on this 10th day of April, 1999 by Audry Jane Shepard.

"OFFICIAL SEAL"
Leigh C. Addotta
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 12-05-01

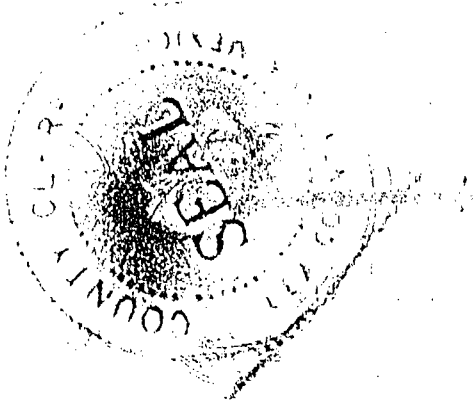
Leigh C. Addotta
Notary

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 15 1999

at 10:38 o'clock A M
and recorded in Book 950
Page 361
Pat Chappelle, Lea County Clerk
By H. B. Deputy

42553



(1) Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas here under by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith, and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

(2) **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking production or other operations are prevented or delayed by such laws, rules regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

OIL & GAS LEASE

THIS AGREEMENT made this 8th day of October 19 96 betweenChester A. Beadle and Margaret Beadle, husband and wife1004 North 8th Street
Carlsbad, NM 88220of 4849 Greenville Avenue, Suite 1200herein called lessor (whether one or more) and Enserch Exploration, Inc. Dallas, TX 75206, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

A tract of land in the Southwest-quarter of the Southwest-quarter (SW $\frac{1}{4}$ SW $\frac{1}{4}$) of section 35, Township 15 South, Range 35 East, N.M.P.M., and being more particularly described as follows: Beginning at the southwest corner of the southwest-quarter (SW $\frac{1}{4}$) of said section, THENCE North 933 feet, THENCE East 933 feet, THENCE South 933 feet, and THENCE West 933 feet to the point of beginning, and containing 19.9837 acres of land, more or less.

Said land is estimated to comprise 19.9837 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16 of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

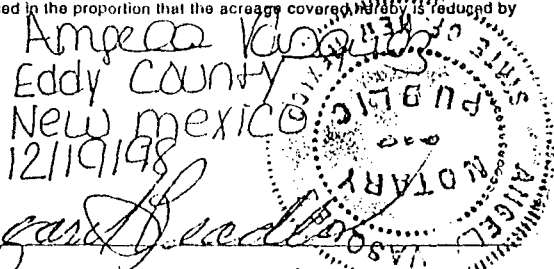
10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas 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) then the royalties, shut-in royalty, and other payments, if any, 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. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Chester A. Beadle
SS# 525-38-1062

Margaret Beadle
SS# 434-34-2209



OIL & GAS LEASE

THIS AGREEMENT made this 24th day of July 19 98 between

Jay Neil Joiner, dealing in his sole and separate property of 5908 Cary Drive,
Austin, Texas 78757

David H. Arrington Oil & Gas, Inc.

(Post Office Address)

herein called lessor (whether one or more) and / of P. O. Box 2071, Midland, Texas 79702 lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

Southwest-quarter of the Southwest-quarter (SW/4SW/4), of Section 35, Township 15 South, Range 35 East, N.M.P.M., LESS AND EXCEPT a tract of land described as follows: Beginning at the Southwest corner of the SW/4 SW/4 of Section 35, Thence North 933 feet, Thence East 933 feet, Thence South 933 feet, Thence West 933 feet to the point of the beginning.

Said land is estimated to comprise 20.0163 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of three (3) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16ths of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16ths of the gas used,

provided that on gas sold on or off the premises, the royalties shall be 3/16ths of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas 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) then the royalties, shut-in royalty, and other payments, if any, 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. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

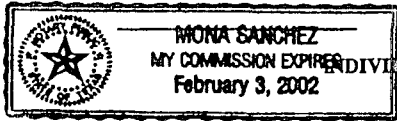
Jay Neil Joiner
 Jay Neil Joiner, dealing in his sole and
 separate property
 SS# ✓ 450-70-9501

STATE OF TEXAS
County of TRAVIS

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on the 4th day of AUGUST, 1998,
~~XXXX~~ by Jay Neil Joiner, dealing in his sole and separate property.

My Commission expires FEBRUARY 3, 19 2002 - Mona Sanchez
Notary Public



STATE OF _____
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on _____,
19____ by _____

My Commission expires _____, 19____ Notary Public

STATE OF _____
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on _____,
19____ by _____

My Commission expires _____, 19____ Notary Public

STATE OF _____
County of _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on _____,
19____ by _____

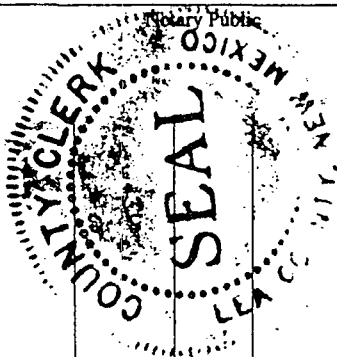
My Commission expires _____, 19____ Notary Public

By _____
County Clerk.
Deputy.

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for record on
the _____ day of _____
A. D., 19____ at _____ o'clock _____ m., and
was duly recorded in Book _____ at page _____
of the Records of said County.

Term _____
No. of Acres _____
Section _____, Township _____, Range _____
County, New Mexico



TO
STATE OF NEW MEXICO
COUNTY OF LEA
FILED

AUG 24 1998

at 8:56 o'clock A M
and recorded in Book _____
Page _____
Pat Chappelle, Lea County Clerk
By N. James Deputy

FROM
OIL AND GAS LEASE
NEW MEXICO

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on _____, 19____
by _____ as, _____
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

This instrument was acknowledged before me on _____, 19____
by _____ as, _____
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public