FILE#5783

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PAID-UP OIL, GAS & MINERAL LEASE

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: Your social security number or your driver's license number.

THIS LEASE AGREEMENT is made effective the 13th day of October, 2005, (the "effective date"), between Georgia Middleton Scott II, as Lessor (whether one or more), whose address is P.O.Box 127, Bosque, NM 87006, and Anadarko Petroleum Corporation, as Lessee, whose address is PO BOX 1330, HOUSTON, TX 772541330.

1. Description. Lessor, in consideration of Ten Dollars and No Cents and other valuable consideration ($10.00 and OVC), in hand paid of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, geophysically or by other means, developing, producing and marketing oil and gas of any nature or kind, along with all hydrocarbon and nonhydrocarbon substances, whether liquid or gaseous, produced in association therewith (including sulphur, helium, nitrogen, carbon dioxide and other commercial gases as well as hydrocarbon gases (collectively referred to herein as "covered minerals") and marketing or rendering more marketable or more valuable covered minerals, including without limitation laying pipelines, for gathering and/or transportation and construction or erecting, separating, dehydrating, processing or other facilities and grants the right to inject water or other produced liquids into non-hydrocarbon bearing formations underlying the leased premises, the following described land (the "leased premises") in REEVES County, Texas, to-wit:

The West Quarter (W1/4) of Section No. Thirty-eight (38), Certificate No. 7/1403, Block No. Two (2), H&GN RR Co. Survey, in Reeves County, Texas containing 160 acres of land.

This lease also covers accretions and any small strips or parcels of land now or hereafter acquired or claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, 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. For the purpose of determining the amount of any shut-in royalties hereunder, said land shall be deemed to be comprised of 160.0000 acres, whether it actually comprises more or less.

2. Term of Lease. This lease shall be in force for a primary term of three years from the effective date of this lease, and for as long thereafter as either: (a) any covered minerals are being produced from the leased premises or lands pooled, unitized or otherwise combined therewith, or (b) Operations, as hereinafter defined, are being conducted upon the leased premises or lands pooled, unitized or otherwise combined therewith with no cessation of more than ninety (90) consecutive days; or (c) this lease is otherwise maintained in effect pursuant to the provisions hereof. This lease is a "paid-up" lease requiring no rentals be paid to Lessor. Further, no shut-in payments are required during the primary term.

3. Royalty Payment. Royalties on covered minerals produced and saved from the leased premises and used off the leased premises or lands pooled therewith or sold (whether to an affiliated or unaffiliated purchaser) shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons, the royalty shall be 1/4 of the market value at the mouth of the well of such production. (b) For natural gas of any nature or kind (including casinghead gas) and all other covered minerals (including liquid hydrocarbons suspended in gas that are not separated at the primary separation facilities), the royalty shall be 1/4 of the market value at the mouth of the well of such production. (c) In calculating royalties on all production hereunder, Lessee may deduct Lessee's proportionate part of any taxes such as ad valorem, production, severance and excise taxes or other similar taxes as may be imposed on production currently or at any point in the future. A proportionate share of costs incurred by Lessee in gathering, treating, dehydrating, compressing, processing, transporting or delivering such production, and any other cost of marketing or rendering marketable or more valuable the covered minerals, whether on the leased premises or off the leased premises may also be deducted in calculating royalties payable hereunder. (d) If, at the expiration of the primary term or at any time or times thereafter, there is any well on the leased premises or on lands pooled therewith, capable of producing covered minerals, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though Operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities, flowlines, separator, and lease tank, and shall not be required to market such covered minerals upon terms unacceptable to Lessee. If at any time or times after the expiration of the primary term, all wells located upon the leased premises or lands pooled therewith (whether classified as oil wells or gas wells) are shut-in for a period of ninety (90) consecutive days, and during such time there are no other Operations being conducted on the leased premises or lands pooled therewith, then within three (3) days after the expiration of said ninety day period, Lessee covenants to pay or tender, by check or draft of Lessee, in amount equal to one dollar ($1.00) for each acre of land then covered by this lease, and it shall be considered that covered minerals are being produced from the leased premises. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this shut-in provision. Each such payment or tender shall be made to the parties who at the time of the payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in Lessor at the above address or its successors, which shall continue as the depository, regardless of changes in the ownership of shut-in royalty, in the manner there specified, either jointly to such parties or separately in each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Lessee's failure to pay and/or properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Nothing herein shall impair Lessee's right to release any portion of the leased premises as provided in paragraph 10 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, insofar as it covers lands owned by each. Lessee shall have free use of oil, gas, water and other substances produced from said land, except water from Lessee's wells or ponds, for all Operations hereunder, and Lessee's royalty shall be computed after deducting any produced oil or gas so used.

4. Operations. Whenever used in this lease, the word "Operations" (unless specified to the contrary) shall mean operations for and any of the following: drilling, testing, building of roads and locations, drilling, testing, completing, reworking, recompleting, deepening, plugging back, abandoning or repairing of a well in search of or in an endeavor to obtain, increase or restore and/or maintain marketable or more valuable production of oil, gas, sulphur or other covered minerals, and/or production, actual or constructive, of oil, gas, sulphur or other covered minerals.

5. Pooling. Lessee shall have the continuing and recurring right, but not the obligation, to pool, unitize or otherwise combine all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. A unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed eighty (80) acres plus a maximum acreage tolerance of ten percent (10%); and for an oil well which is a horizontal completion or a gas well shall not exceed six hundred forty (640) acres plus a maximum acreage tolerance of ten percent (10%); provided that larger units may be formed for an oil well or a gas well, whether or not horizontally completed, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulation of the governmental authority which has jurisdiction over such matters. The term "horizontal completion" shall mean an oil well or a gas well in which the horizontal component of the gross completion interval exceeds one hundred (100) feet in length. Lessee may pool, unitize or combine land covered by this lease or any portion thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum or strata, and oil units need not conform in size or area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool, unitize or combine either before or after commencing Operations for or completing an oil or gas well on land lying within a unit and any unit may include, but is not required to include, lands or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which Operations have theretofore been commenced. Operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such Operations were commenced before or after the execution of this lease or the instrument designating the pooled unit, shall be deemed for all purposes (except the payment of royalties on production from the pooled unit) as if there were Operations on the leased premises and references in this lease to production from or Operations on the leased premises shall be deemed to include production from or Operations on any portion of such pooled unit. Production from a pooled unit a well is drilled on land within the unit area (other than the leased premises) which well is not classified as the type of well for which the unit was created (oil, gas or other minerals as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provision hereof. If a gas well on a gas unit, which includes all or a portion of the leased premises, is classified as an oil well, with respect to all lands which are included with the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold or used off the leased premises or lands pooled or unitized therewith by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, 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 permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or upon order, or when to do so would, in the judgment of Lessee, promote the conservation of mineral minerals in and under and that may be produced from the leased premises. In making such a revision Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. 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, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph with consequent allocation of production as herein provided. As used herein the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. Ancillary Rights. In exploring for, developing, producing and marketing covered minerals, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the free right of ingress and egress along with the right to conduct Operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations and any other Operations on the leased premises, lands pooled or unitized therewith or lands adjacent thereto, 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 deemed necessary by Lessee to discover, produce, store, treat, and transport production in connection with such wells, in accordance with Lessee's Operations. Lessee's ancillary rights granted herein shall apply to both surface and subsurface of: (a) the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease, in which Lessor now or hereafter has authority to grant such rights. Such ancillary rights include, but are not limited to, the right to use the subsurface of the leased premises in connection with a well to be drilled on lands not pooled with the leased premises. Any surface location for a well shall be located less than two hundred (200) feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent. In addition to the ancillary rights described above, Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within one (1) year following the expiration 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 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 sixty (60) days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender 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 or tender such shut-in royalties to such persons, either 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 any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

8. **Warranty of Title.** Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessor, at its option, may pay or discharge any tax, mortgage or lien existing, levied or assessed against the leased premises and, in the event that it does so, 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 or shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

9. **Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises. To the extent any royalty or other payment attributable to the mineral interest covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

10. **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 leased premises or any depths or zones thereunder, and shall thereafter 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 or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

11. **Regulation and Delay.** Lessee's obligations under the lease, 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. Notwithstanding the provisions of paragraph 2 above, when 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 (a lack of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (collectively referred to as "force majeure"), 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 term of this lease when Operations are so prevented, delayed or interrupted.

12. **Breach or Default.** An alleged breach or default by Lessee of any obligation hereunder or the failure of Lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessee has given Lessee written notice fully describing the breach or default, and if Lessee does not dispute the breach, then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event Lessee disputes that a breach has occurred and 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 and Lessee fails to do so. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are Operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty (40) acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are Operations. Lessee shall also have such easements on said land as are necessary to conduct Operations on the acreage so retained. Nothing in this instrument, or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principal-agent relationship between Lessor and Lessee for any purpose. Lessee's standard of conduct shall be that of a reasonable prudent operator.

13. **Existing Wellbores.** At no additional cost to Lessee, Lessor grants Lessee access to and the right to use, at Lessee's sole election, any existing well(s) and/or wellbore(s) on the leased premises. Lessee's election to conduct and use an existing well and/or wellbore shall be considered the same as the drilling of a new well on the leased premises. This provision shall not apply to existing water wells on the leased premises.

14. **Miscellaneous.**

(a) Entire Agreement. This lease represents the entire agreement between Lessor and Lessee with respect to the leased premises and supersedes and replaces all prior agreements, both oral and written, between the parties with respect to the leased premises. This lease is not intended to give rise to any implied obligations not otherwise expressly contained in this lease and any implied covenants not consistent with the express provisions of this lease are hereby negated and terminated. This lease may only be amended by a subsequent written instrument.

(b) Captions. The captions used in the lease are solely for the convenience of the parties hereto and shall have no significance, separate and apart, from the terms and provisions of the lease.

(c) Severability. If any term or other provision of this lease is invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this lease shall nevertheless remain in full force and effect.

(d) Choice of Law. THIS LEASE SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUSIVE OF ANY PRINCIPLES OF CONFLICTS OF LAWS WHICH WOULD DIRECT APPLICATION OF THE SUBSTANTIVE LAWS OF ANOTHER JURISDICTION).

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

LESSOR:

Georgia Middleton Scovill

Georgia Middleton Scovill

STATE OF NEW MEXICO)
COUNTY OF Valencia)

This instrument was acknowledged before me this 18th day of October, 2005, by Georgia Middleton Scovill.

My Commission Expires: 11/17/08

Yvette Garcia, Notary Public

OFFICIAL SEAL
Yvette Garcia
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires: 11/17/08

Attached hereto and made a part hereof that certain Oil and Gas Lease dated October 13, 2005 by and between Georgia Middleton Scovill, as Lessor, and Anadarko Petroleum Corporation as Lessee.

Exhibit A

OPTION TO EXTEND

Lessor hereby grants Lessee the option to extend the primary term of this lease for an additional Two (2) years from the expiration of the original primary term hereof as to all or any portion of the leased premises then held hereunder which would expire unless so extended. This option may be exercised by Lessee, or its successors and assigns, at any time before the expiration of the primary term hereof by paying to Lessor or to Lessor's credit at the depository bank which may be named herein, the sum of Two Hundred dollars ($200.00) per net mineral acre for each acre so extended, which payment shall cover the two years of the extended term and Lessor acknowledges that there will be no rental payments due for or during the extended term. Payment may be made by check or draft mailed or delivered to Lessor or to said depository bank which may be named herein. Should this option be exercised as herein provided, it is agreed that Lessee may execute and file of record an instrument evidencing the exercise of this option.

GMS
LESSOR INITIALS

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ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW

FILE NO. 5783

FILED FOR RECORD ON THE 27TH DAY OF DECEMBER A.D. 2005 10:16 A.M.

DULY RECORDED ON THE 28TH DAY OF DECEMBER A.D. 2005 2:00 P.M.

BY: Yolanda Flores, DEPUTY

DIANNE O. FLOREZ, COUNTY CLERK
REEVES COUNTY, TEXAS