

effectiveness of any payment thereto made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after 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 the land covered by this lease, the royalty payable hereunder shall be apportioned as between the several lessorhold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other lessorhold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, release and discharge Lessee of all obligations hereunder.

11. Force Majeure. Lessee shall not be liable for any decrease in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure," as used herein, shall mean any circumstances or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes, lockouts, stoppages, laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of equipment; or the exhaustion, unavailability, or delay in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be suspended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs during the primary term, the lease interest shall be added to such term.

12. Lessor Interest Clause. If Lessor does not own, or have the right to lease, the entire mineral interest in the land described above, then the royalties, rentals, and any other sums payable hereunder, shall be reduced and payable only in the proportion that the interest covered by this lease bears to the entire mineral interest in the above described land. If the mineral interest covered hereby is subject to an outstanding non-participating royalty, such royalty shall be deducted from the royalties payable to Lessor hereunder.

13. Warranty. Lessee hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee shall have the right, at any time, to redeem for the Lessor, by payment, any mortgage, taxes or other liens on the leased premises in the event of default of payment by Lessee, and be subrogated to the rights of the holder thereof, and such payments may be deducted from any rental or royalties that may be payable to Lessor hereunder.

14. Surrender. Lessee, its successors and assigns, shall have the right at any time, to surrender this lease, in whole or in part, by delivering or making a release to the Lessor or by placing a release of record in the county, or counties, in which the leased premises are situated, and thereupon, Lessee shall be relieved from all obligations, expressed or implied, of this lease as to the acreage so surrendered.

15. Parties Bound. The lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as Lessor fail to execute this lease, or should any party execute this lease who is not named above as a Lessor, it shall nevertheless be binding upon the party or parties executing the same.

16. Judicial Determination. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respect Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any actions by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of said notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee named to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty (40) acres), such acreage to be designated by Lessee as early as practicable in the form of a square centered at the well, in such shape as to contain existing spacing rules require, and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

17. Succession. Lessee or its successors or assigns may, by the payment of the payment of the additional term of the lease, extend the primary term of the lease for an additional year period, which payment shall be paid or tendered on or before the expiration of the initial year primary term and shall be made in the manner and under the provisions of Paragraph 5 pertaining to delay rentals. Upon the expiration of the primary term, it is understood and agreed that Lessor may extend this lease as to all the acreage covered hereby, or only a portion of such acreage, as hereinafter provided, but only if a pooling agreement is entered into with the other owners of the remaining acreage. If Lessee extends this lease by payment of delay rentals in the manner provided herein, no drilling operations or delay rentals will be necessary to maintain this lease during the first year of the extended term.

18. Headings For Convenience. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

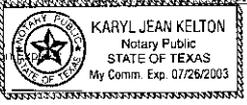
IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

Howard J. Kleinecke
Howard J. Kleinecke
SS # 450-06-8668

THE STATE OF Texas TEXAS ACKNOWLEDGEMENT
COUNTY OF Victoria
Before me, the undersigned authority, on this day personally appeared Howard J. Kleinecke

known to me to be the identical person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 27th day of July, A.D. 2001



My Commission Karyl Jean Kelton
Notary Public in and for Victoria
County, Texas

THE STATE OF NEW MEXICO ACKNOWLEDGEMENT
COUNTY OF

The foregoing instrument was acknowledged before me this day of 2001 by

My Commission Expires: Notary Public in and for County,

Table with columns: Filed for Record this day of A.D. 2001 at o'clock M County Clerk, Deputy, Recorded A.D. 2001 at County Clerk, Deputy, Book, Page, County Clerk, Deputy.

OIL, GAS AND MINERAL LEASE

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. 2743
FILED FOR RECORD ON THE 4TH DAY OF OCTOBER A.D. 2001 AT 4:10 P. M.
DULY RECORDED ON THE 8TH DAY OF OCTOBER A.D. 2001 AT 2:00 P. M.
BY: Goteck Orayza DEPUTY DIANNE O. FLOREZ, COUNTY CLERK REEVES COUNTY, TEXAS