

May 10, 2004

NEF#04-010

ATTN: Document Control Desk
Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Louisiana Energy Services, L. P.
National Enrichment Facility
NRC Docket No. 70-3103

Subject: Response to NRC Request for Additional Information Concerning the Lea County,
New Mexico Industrial Revenue Bonds

- References:
1. Letter NEF#03-003 dated December 12, 2003, from E. J. Ferland (Louisiana Energy Services, L. P.) to Directors, Office of Nuclear Material Safety and Safeguards and the Division of Facilities and Security (NRC) regarding "Applications for a Material License Under 10 CFR 70, Domestic licensing of special nuclear material, 10 CFR 40, Domestic licensing of source material, and 10 CFR 30, Rules of general applicability to domestic licensing of byproduct material, and for a Facility Clearance Under 10 CFR 95, Facility security clearance and safeguarding of national security information and restricted data"
 2. Letter NEF#04-002 dated February 27, 2004, from R. M. Krich (Louisiana Energy Services, L. P.) to Director, Office of Nuclear Material Safety and Safeguards (NRC) regarding "Revision 1 to Applications for a Material License Under 10 CFR 70, "Domestic licensing of special nuclear material," 10 CFR 40, "Domestic licensing of source material," and 10 CFR 30, "Rules of general applicability to domestic licensing of byproduct material"
 3. Letter dated April 19, 2004, from T. C. Johnson (NRC) to R. Krich (Louisiana Energy Services) regarding "Request for Additional Information on Louisiana Energy Services Project License Application"

By letter dated December 12, 2003 (Reference 1), E. J. Ferland of Louisiana Energy Services (LES), L. P., submitted to the NRC applications for the licenses necessary to authorize construction and operation of a gas centrifuge uranium enrichment facility. Revision 1 to these applications was submitted to the NRC by letter dated February 27, 2004 (Reference 2). By letter dated April 19, 2004 (Reference 3), the NRC provided the initial technical review of the license application and requested additional information and clarifications be provided within 30 days (i.e., by May 19, 2004).

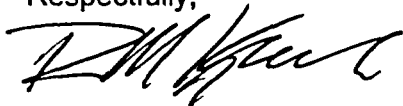
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The Reference 3 letter includes Request for Additional Information (RAI) GI-2. In RAI GI-2, the NRC requested that the name of the LES subsidiary formed for the purpose of purchasing the Lea County Industrial Revenue Bonds and the name of the State where it is incorporated or organized be provided. The NRC also requested that a copy of the Industrial Revenue Bond agreement with Lea County be provided for review. This information is included in the closing papers for the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004. Attachment 1 to this letter provides the response to RAI GI-2. Attachment 2 to this letter includes a copy of closing papers for the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004. The remainder of the RAIs included in the Reference 3 letter will be addressed in separate letters.

If you have any questions, please contact me at 630-657-2813.

Respectfully,



R. M. Krich
Vice President – Licensing, Safety, and Nuclear Engineering

Attachments:

1. Louisiana Energy Services Response to April 19, 2004, Request for Additional Information GI-2
2. Closing Papers for Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004

cc: T.C. Johnson, NRC Project Manager

ATTACHMENT 1

Louisiana Energy Services
Response to April 19, 2004
Request for Additional Information GI-2

Louisiana Energy Services
Response to April 19, 2004
Request for Additional Information GI-2

Chapter 1.0 General Information

GI-2 Section 1.2.1.2, 1st Para., p. 1.2-1

Provide the name of the LES subsidiary formed for the purpose of purchasing the Lea County Industrial Revenue Bonds and the name of the State where it is incorporated or organized. Also, provide a copy of the Industrial Revenue Bond agreement with Lea County.

Regulations in 10 CFR 70.22(a)(1) require the applicant to provide the corporate name of the applicant and the name of the State where it is incorporated or organized.

LES indicated that it has a wholly-owned subsidiary for the purpose of purchasing Industrial Revenue Bonds issued by Lea County, but did not provide its name or State of incorporation or organization. In addition, the Industrial Revenue Bond agreement needs to be provided to verify the licensing responsibilities of the applicant and Lea County.

LES Response

NEF Series 2004, LLC, is a wholly-owned subsidiary of Louisiana Energy Services (LES), L.P., formed for the purpose of purchasing the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004. NEF Series 2004, LLC, is a limited liability company organized and existing under the laws of the State of Delaware. A copy of the closing papers for the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 is provided in Attachment 2. Included in these closing papers are the Lease and Purchase Agreement between LES and Lea County and the Bond Purchase Agreement between LES, NEF Series 2004, LLC, and Lea County.

ATTACHMENT 2

Closing Papers for
Lea County, New Mexico
Industrial Revenue Bond (National Enrichment Facility Project) Series 2004

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

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 - Exhibit A: Description of Project Site
 - Exhibit B: Permitted Liens
 - Schedule I
2. Indenture dated the date of Closing, among the Issuer, the Depository and the Purchaser
 - Exhibit A: Form of Bond
 - Exhibit B: Requisition and Certificate
 - Exhibit C: Completion Certificate
3. Bond Purchase Agreement dated the date of Closing, among the Purchaser, the Issuer and the Company
 - Exhibit A: Form of Opinion of Bond Counsel
 - Exhibit B: Form of Opinion of Counsel to the Company and the Purchaser
 - Exhibit C: Form of Opinion of Counsel to the Issuer
4. Grant of Easement and Right of Way dated August 22, 2003, from the New Mexico Commissioner of Public Lands to the Company ("Easement")
5. Agreement Regarding Land Use Restriction or Condition dated August 22, 2003, between the New Mexico Commissioner of Public Lands and the Company ("LURC")
6. Assignment of Rights under the Easement from the Company to the Issuer ("Assignment") together with e-mail from the Commissioner of Public Lands determining the Assignment to be unobjectionable
7. Bill of Sale from the Company to the Issuer
8. Specimen Bond No. R-1
9. Issuer Certificate

- Exhibit A: Open Meetings Resolution
- Exhibit B: Inducement Resolution
- Exhibit C: PILOT Resolution
- Exhibit D: Notice of Consideration of Ordinance Authorizing Issuance of an Industrial Revenue Bond by Lea County dated November 10, 2003 to the City of Hobbs
- Exhibit E: Notice of Consideration of Ordinance Authorizing Issuance of an Industrial Revenue Bond by Lea County dated November 10, 2003 to the Lea County Assessor
- Exhibit F: Affidavit of Publication of Notice of Intention to Adopt Bond Ordinance published in The Lovington Daily Leader on November 25, 2003
- Exhibit G: Affidavit of Publication of Notice of Intention to Adopt Bond Ordinance published in the Hobbs News-Sun on November 29, 2003
- Exhibit H: Bond Ordinance No. 58 recorded in the office of the Lea County Clerk on December 16, 2003 in Ordinance Book 2, at Pages 548-643
- Exhibit I: Affidavit of Publication of Notice of Adoption of Bond Ordinance published in The Lovington Daily Leader on December 17, 2003
- Exhibit J: Affidavit of Publication of Notice of Adoption of Bond Ordinance published in the Hobbs News-Sun on December 17, 2003

Volume II

10. Company Certificate

- Exhibit A: Amended and Restated Certificate of Limited Partnership filed with the Delaware Secretary of State
- Exhibit B: Certificate of Good Standing and Legal Existence issued by the Delaware Secretary of State
- Exhibit C: Statement of Registration as a Foreign Limited Partnership filed with the New Mexico Secretary of State
- Exhibit D: Certificate of Existence issued by the New Mexico Secretary of State
- Exhibit E: Amended and Restated Agreement of Limited Partnership
- Exhibit F: Authorizing Resolutions
- Schedule I

11. Purchaser Certificate

- Exhibit A: Certificate of Formation filed with the Delaware Secretary of State
- Exhibit B: Certificate of Good Standing and Legal Existence issued by the Delaware Secretary of State
- Exhibit C: Application for Registration filed with the New Mexico Public Regulation Commission
- Exhibit D: Certificate of Good Standing and Compliance issued by the New Mexico Public Regulation Commission

Exhibit E: Operating Agreement
Exhibit F: Authorizing Resolutions

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13. Depository Fee Agreement
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18. Disclosure Letter dated January 22, 2004 from the Company to the Issuer and Purchaser
19. Escrow Instruction Letter
20. Title Insurance Policy
21. Pages of Documents Showing Recording Information
 - (a) Recordation of Easement in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 338-405, as Document No. 50770.
 - (b) Recordation of LURC in the State Land Office on January 20, 2004, as LURC #3 and in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 406-412, as Document No. 50771.
 - (c) Recordation of Assignment in the Miscellaneous Instruments in the State Land Office on January 23, 2004, as Misc. Inst. 1125.
 - (d) Recordation of Assignment in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 413-419, as Document No. 50772.
 - (e) Recordation of Lease and Purchase Agreement in the real estate records of Lea County on January 22, 2004, in Book 1279, at Pages 420-457, as Document No. 50773.
 - (f) Recordation of Indenture in the real estate records of Lea County on January 22, 2004, in Book 1279, at Pages 458-485, as Document No. 50774.

1

LEA COUNTY, NEW MEXICO

AND

LOUISIANA ENERGY SERVICES, L.P.,
a Delaware limited partnership

LEASE AND PURCHASE AGREEMENT

Dated January 22, 2004

\$1,800,000,000
Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

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THIS LEASE AND PURCHASE AGREEMENT is made this 22nd day of January, 2004 between the LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico acting through its Board of County Commissioners (together with its successors and assigns, the "Issuer"), and LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (together with its successors and assigns, the "Company").

ARTICLE I - RECITALS

Section 1.1 Recitals. Capitalized words and terms that are not defined in the Recitals below are defined as provided in Section 2.1 hereof.

A. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 Compilation, as amended (the "Act"), Lea County is authorized to acquire industrial revenue projects to be located within Lea County outside the boundaries of any incorporated municipality for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State of New Mexico, and promoting a sound and proper balance in the State of New Mexico between agriculture, commerce, and industry.

B. The Company has presented to the County a proposal (the "Project Plan") under which the Issuer would issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum aggregate principal amount of \$1,800,000,000 (the "Bond") to accomplish the acquisition, construction and installation of a project under the Act (the "Project," as more specifically defined in Section 2.1 below).

C. Following review of the Project Plan, and in order to promote the local health and general welfare, safety, convenience, and prosperity of the inhabitants of Lea County, the Issuer deems it desirable and appropriate, and in accordance with the purposes of the Act, to issue the Bond and make the proceeds thereof available to the Company pursuant to this Lease and Purchase Agreement for the purposes described herein and in the Indenture.

D. The Board of County Commissioners of Lea County has adopted Ordinance No. 58, which authorizes the acquisition of the Project subject to the terms of this Lease, and the issuance of the Bond.

E. The Bond is to be issued under an Indenture dated the Closing Date (together with any and all amendments and supplements thereto, the "Indenture") among the Issuer, NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assignees, and permitted transferees of the Bond, the "Purchaser"), and Bank of Albuquerque, N.A., as depository (the "Depository").

F. The proceeds of the Bond will be used to finance the acquisition, construction and installation of the Project. The Project is to be leased to the Company under this Lease and Purchase Agreement dated the Closing Date.

G. The Bond is to be purchased under a Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company.

H. The Bond to be issued under the Indenture will be a special limited obligation of the Issuer payable as provided therein. The Bond will not constitute a debt or pledge of the credit of the Issuer, and the Purchaser will have no right to have taxes levied by the Issuer or to require the Issuer to use any revenues for the payment of the Bond, except for the Revenues (but excluding the Additional Payments).

ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 2.1 Definitions. All capitalized words and terms defined in the Indenture have the same meanings when used in this Lease. In addition to the definitions in the Recitals in Section 1.1 hereof, the capitalized words and terms used in this Lease shall have the following meanings:

"Acquisition Account" has the meaning assigned in the Indenture.

"Additional Payments" has the meaning assigned in Section 5.3(b) hereof.

"Authorized Company Representative" has the meaning assigned in the Indenture.

"Authorized Issuer Representative" means the Chairman and Vice Chairman of the Board of County Commissioners of Lea County, New Mexico, or any one of the persons at the time designated to act on behalf of the Issuer in a certificate furnished to the Company and the Depository containing the specimen signatures of such persons and signed on behalf of the Issuer by the Chairman of the Board of County Commissioners.

"Basic Rent" has the meaning assigned in Section 5.3(a) hereof.

"Bond Documents" means, collectively, this Lease, the Indenture and the Bond Purchase Agreement.

"Bond Ordinance" means the Issuer's Ordinance No. 58, adopted December 16, 2003.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company, together with any and all amendments and supplements thereto.

"Business Day" has the meaning assigned in the Indenture.

"By-Product Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "byproduct material," such broader meaning will apply subsequent to the effective date of such amendment

"Completion Date" has the meaning assigned in Section 4.1(c) hereof.

"Closing Date" means the date of issuance of the Bond.

"Easement" means and refers to that Grant of Easement and Right-of-Way effective August 22, 2003, from the New Mexico Commissioner of Public Lands, as grantor, to the Company, as grantee, permitting the Company to use and occupy the real property subject to the easement and to lease its interest thereunder to the Issuer for purposes of the Project, to wit: that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located in Lea County as described in Exhibit A attached hereto, and by this reference made a part hereof, as the Project Site, pending the acquisition of fee ownership of such real property by the Company.

"Eminent Domain" means the taking of title to, or the temporary use of, all or any part of the Project Property pursuant to eminent domain or condemnation proceedings, or by any settlement or compromise of such proceedings, or any voluntary conveyance of all or any part of the Project Property during the pendency of, or as a result of a threat of, such proceedings.

"Environmental Laws" means any laws, statutes, regulations, orders or rules pertaining to health or the environment that are applicable from time to time to the Project Site, the construction and installation of the Improvements, the operation, use and decommissioning of, and storage at, the Project Property, including, without limitation, the Atomic Energy Act of 1954, as amended ("AEA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976 ("RCRA"), the National Environmental Policy Act, the Clean Air Act, the Clean Water Act, the Water Quality Act of 1987, the National Historic Preservation Act, the New Mexico Water Quality Act, the New Mexico Hazardous Waste Act, the New Mexico Air Quality Control Act and the New Mexico Radiation Protection Act.

"Equipment" means all equipment, fixtures and furnishings, and all other personal property of any kind that is subject to depreciation for federal income tax purposes and is suitable for use and used as part of the Project, and that is purchased with Bond proceeds, or the purchase of which by the Company is reimbursed with Bond proceeds, together with equipment, fixtures, furnishings and other depreciable personal property that are in replacement thereof due to damage or obsolescence.

"Event of Default" has the meaning assigned in Section 8.1 hereof.

"Hazardous Material" means (i) "hazardous materials," "hazardous substances," "hazardous wastes" as defined in the Environmental Laws and (ii) any other material regulated under the Environmental Laws.

"Improvements" means all buildings, structures and other improvements existing or to be constructed on the Project Site by the Company as agent for the Issuer in connection with the Project, together with related demolition and site work, and Equipment.

"Inducement Resolution" means the Issuer's Resolution No. 2003-Aug-027R, adopted on August 5, 2003, which resolution declared the intent of the Issuer, subject to the satisfaction of certain conditions, to issue the Bond.

"Indemnatee" has the meaning assigned in Section 6.3 hereof.

"Lease" means this Lease and Purchase Agreement dated the Closing Date between the Issuer and the Company, together with any and all amendments and supplements thereto.

"Licensing Approvals" has the meaning assigned in Section 4.1(a) hereof.

"NMSA 1978" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and superseded by subsequent compilations.

"NRC" means the Nuclear Regulatory Commission or its duly authorized representative.

"NRC License" means the license to be issued by the NRC authorizing the Company to construct, occupy, operate and use the Project, including but not limited to all necessary storage in connection with such operation and use.

"Permitted Liens" means, as of the date of delivery of this Lease, the liens and encumbrances shown in Exhibit B attached hereto, and by this reference made a part hereof, and, as of any particular time, (i) liens for taxes and special assessments, if any, to the extent permitted in Section 4.9, (ii) this Lease and any assignment of lease permitted by this Lease and the Indenture and any supplements thereto, (iii) easements, licenses, rights-of-way and other rights or privileges in the nature of easements permitted in Section 4.13, (iv) mechanics', materialmen's, carriers' and other similar liens to the extent permitted in Section 4.17, (v) liens and other encumbrances placed by the Issuer and/or the Company on the Project Property in connection with obtaining the Project Financing, and (vi) such minor defects, irregularities, encumbrances, easements, rights-of way and clouds on title to the Project Property as normally exist with respect to similar properties and as do not, individually or in the aggregate, materially impair the Project Property for the purpose for which it is used by the Company or materially detract from the value of the Project Property.

"Proceeds" means, when used with respect to any insurance proceeds or any award resulting from, or other amount received in connection with, Eminent Domain, the gross proceeds from the insurance or such award or other amount.

"Project" means, as the context requires, (i) the acquisition of an interest in the Project Site and the acquisition, construction and installation of Improvements in connection with the establishment of a uranium enrichment facility by the Company as agent for the Issuer, including related buildings, storage, infrastructure, equipment and other improvements on the Project Site and the operation and decommissioning of such facility by the Company as agent for the Issuer, or (ii) the final products of the actions described in the foregoing clause (i), or both meanings of the foregoing clauses (i) and (ii).

"Project Financing" means a transaction or series of transactions to which the Company is a party occurring after the Closing Date for the purpose of obtaining the necessary financing for the Project.

"Project Property" means the Project Site and the Improvements.

"Project Site" means that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located within Lea County and not within the boundaries of any incorporated municipality in the County, as more specifically described in Exhibit A, provided that until such time as the Company obtains fee title to the real property described in Exhibit A, "Project Site" shall mean the rights and interests of the Company under the Easement, which contemplates the use and occupancy of the real property described in Exhibit A, for purposes authorized in the Easement, including but not limited to the issuance of the Bond and the acquisition, construction and installation of the Project.

"Related Costs" has the meaning assigned in the Indenture.

"Rent" means Basic Rent, any Additional Payments and any other amount payable by the Company under this Lease.

"Source Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "source material," such broader meaning will apply subsequent to the effective date of such amendment

"Special Nuclear Material" shall have the meaning specified in the AEA provided that in the event the AEA is amended so as to broaden the meaning of "special nuclear material," such broader meaning will apply subsequent to the effective date of such amendment

"State" means the State of New Mexico.

"Term" means the period from the date of the execution and delivery of this Lease by the Issuer and the Company (a) to the earlier of the date of Payment of the Bond (as defined in the Indenture) upon (i) maturity of the Bond on the anniversary of the Closing Date in 2034 ("maturity date") or (ii) redemption of the Bond in whole prior to the maturity date; or (b) to the date the Company sends a notice of termination to the Issuer and the Purchaser and Depository as provided in Article V of the Indenture on the grounds that the NRC License will not be issued.

"TRD" means the New Mexico Taxation and Revenue Department.

"Unassigned Rights" means the Issuer's rights to enforce any of the obligations which the Company is responsible for performing on behalf of or for the benefit of the Issuer, pursuant to Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

"Unassigned Rights Obligations" means the Company's obligations set forth in Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

Section 2.2 Rules of Construction.

(a) All references in this Lease to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Lease unless some other reference is established.

(b) Any inconsistency between the provisions of this Lease and the provisions of the Indenture will be resolved in favor of the provisions of the Indenture.

ARTICLE III - REPRESENTATIONS

Section 3.1 Issuer Representations. The Issuer represents that, as of the Closing Date:

(a) The Issuer is a governmental subdivision of the State of New Mexico; duly organized and existing pursuant to the constitution and laws of the State of New Mexico and has the power to enter into the transactions contemplated by this Lease and the Indenture and to carry out its obligations under this Lease and the Indenture.

(b) The Issuer has duly authorized the execution, delivery and performance of the Bond Documents and the issuance of the Bond all for the purpose of financing the Project and paying certain costs related to the issuance of the Bond.

(c) To finance the Project, the Issuer will issue the Bond with the terms set forth in the Indenture. The Bond will be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Lease and the Revenues (but excluding Additional Payments) will be pledged and assigned to the Purchaser as security for the payment of the Bond.

(d) The execution, delivery and performance by the Issuer of the Bond Documents will not conflict with or create a material breach of or a material default under the Act or any other law, rule, regulation or ordinance applicable to the Issuer or any agreement or instrument to which the Issuer is a party or by which it is bound, and there is no action, suit, proceeding, inquiry or investigation by or before any court, public board or body, pending or, to the best knowledge of the Issuer, threatened, against the Issuer, which seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents or in any manner questions the validity or enforceability of the Bond or any of the Bond Documents.

(e) The Issuer has no power under the Act to operate the Project as a business or otherwise or to use or acquire the Project Property for any purpose, except as lessor thereof under the terms of this Lease.

Section 3.2 Company Representations. The Company represents that, as of the Closing Date:

(a) The Company is a limited partnership organized and validly existing under the laws of Delaware, is registered as a foreign limited partnership in the State, is in good standing under the laws of the State, and has duly authorized the execution, delivery and performance of this Lease and the Bond Purchase Agreement.

(b) The Company has full right, power and authority to approve the execution, delivery and performance of this Lease and the Bond Purchase Agreement and to perform its obligations under this Lease and the Bond Purchase Agreement.

(c) The execution, delivery and performance by the Company of this Lease and the Bond Purchase Agreement, and the application by the Company of the proceeds of the issuance and sale of the Bond as provided in the Bond Documents, do not and will not conflict with, contravene, violate or constitute a breach of or a default under its certificate of limited partnership or partnership agreement or any other agreement or instrument to which the Company is a party or by which the Company or any of its property is bound or any law, rule, regulation, decree or order applicable to the Company; nor will such execution, delivery, and performance result in the imposition of liens or other encumbrances on any of the Company's properties other than Permitted Liens and the liens created by the Bond Documents.

(d) When executed and delivered, the Bond Purchase Agreement and this Lease will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(e) No Event of Default, or event or condition that, with notice or lapse of time or both, would constitute an Event of Default with respect to the Company, has occurred and is continuing.

(f) All necessary authorizations, approvals, consents and other orders of any governmental authority or agency for the execution and delivery by the Company of this Lease and the Bond Purchase Agreement have been obtained and are in full force and effect.

(g) Except with respect to the matter described in Schedule I attached hereto, there is no action, suit, or proceeding at law or in equity by or before any court, public board or body pending or, to the best of the knowledge of the Company, threatened, against or affecting the Company, which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own, lease, occupy and use under an easement or right-of-way, operate or purchase any of the Project Property, or (iv) if adversely determined, could have a material adverse effect on the Company, the Project Property or the Company's ability to perform under the Bond Documents.

(h) Except with respect to the matter described in Schedule I attached hereto, the Company has not received any notice of an alleged violation and to the best of its knowledge, the Company is not in violation of any zoning, land use, the Environmental Laws or other similar law or regulation applicable to the Project or the Project Site.

(i) The location of the Project Site for use in connection with the Project does not violate any applicable law, statute, ordinance, rule, regulation, order or determination, and upon issuance of all necessary authorizations, licenses, approvals and consents, including but not limited to the NRC License, the construction, installation, operation and maintenance of the Project Property will not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any governmental authority (including the governmental authority or authorities providing such authorizations, licenses, approvals, consents and other necessary orders), or any restrictive covenant, deed restriction or easement or right-of-way (recorded or otherwise)

affecting the Project Property, including, without limitation, the Easement and all applicable zoning ordinances and building codes and the Environmental Laws.

(j) Except with respect to the matter described in Schedule I attached hereto, the Project Site is not the subject of any existing, pending or threatened investigation or inquiry by any governmental authority or subject to any remediation obligations under the Environmental Laws.

(k) No representation made by the Company in this Lease and no statement made by the Company in any information, material or report furnished to the Issuer or the Purchaser in connection with the transactions contemplated by this Lease contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) The Company is not in material default in the payment of the principal of or interest on any indebtedness for borrowed money or in material default under any instrument or agreement under and subject to which any indebtedness for borrowed money has been issued.

(m) The Related Costs are estimated to be equal to or less than the face amount of the Bond, but the Company acknowledges that the Issuer has made no warranty or representation, express or implied, that the amount in the Acquisition Account will be sufficient to pay such Related Costs or that the Project Property will be suitable to the Company's needs.

(n) The Company has the economic ability to meet all of the financial obligations imposed upon the Company under this Lease.

(o) The agreement by the Issuer to lease and sell the Project Property to the Company, to the extent of its rights and ownership in such property, has induced the Company, acting as agent for the Issuer, to undertake the acquisition, construction, improvement, installation, furnishing and equipping of the Project Property.

(p) The Company intends to operate or to cause the Project to be operated as a facility to enrich uranium for commercial purposes until at least the later of (i) the payment in full of the principal of, premium, if any, and interest on the Bond or (ii) the sooner termination of this Lease as provided herein.

(q) The Project Property will be located in Lea County, and not within the boundaries of any incorporated municipality within the County.

Section 3.3 Survival of Representations. All representations of the Issuer and the Company contained in this Lease or in any certificate or other instrument delivered by the Issuer or the Company pursuant to this Lease or in connection with the transactions contemplated by the Bond Documents, shall survive the execution and delivery of this Lease, the issuance, sale and delivery of the Bond, the termination of this Lease and the payment of the Bond, as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

ARTICLE IV - THE PROJECT

Section 4.1 Acquisition, Construction, Equipping and Completion.

(a) On or prior to the date of issuance and delivery of the Bond and execution of this Lease, the Company has conveyed or caused to be conveyed or has assigned or caused to be assigned to the Issuer, by deed, lease, sublease, bill of sale, document of assignment or such other appropriate transfer or conveyance document, fee title to the Project Site, a leasehold interest in and to the Easement, or certain of the Company's interest in and rights under the Easement, including any and all Improvements which may exist at that time. The Company will convey or cause to be conveyed to the Issuer, fee title to the Project Site by appropriate deed promptly upon acquiring such title from the owner thereof and thereupon, this Lease shall be deemed to be a lease of the Issuer's fee interest in the Project Site to the Company and the Easement shall be terminated. Upon conveyance of fee title, the Issuer shall be vested with good title in and to the Project Site subject to the terms of this Lease and the Permitted Liens. Not later than the final non-appealable issuance of the NRC License and any other necessary licenses, approvals, permits, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction over the Project (collectively, the "Licensing Approvals"), the Company will, on behalf of and as agent for the Issuer, undertake to obtain Project Financing and to acquire, construct and install the Project Property, with the Improvements to be constructed and installed in several phases. The Company will issue a certificate to the Issuer, the Purchaser and the Depository establishing the date when all Licensing Approvals have been received. The Company presently contemplates that all phases of the Project will be completed within ten (10) years following receipt of all Licensing Approvals and the Project Financing. In the event such acquisition, construction and installation occurs prior to the receipt of proceeds of the sale of the Bond, the Company will advance all necessary funds. To the extent necessary, after all proceeds of the issuance of the Bond have been exhausted, the Company will finance the completion of the Project with its own funds. The Issuer agrees to cooperate with the Company, at the sole expense of the Company, in the Company's efforts to take all necessary steps to cause the records of the Lea County Assessor's Office to reflect on or before January 1, 2005, the acquisition of the Project Property by the Issuer under the Act, including, to the extent applicable, certain of the Company's interest and rights under the Easement, in order to permit the Project Property to be exempt from property taxation pursuant to Section 7-36-3 NMSA 1978.

(b) The Issuer makes no warranty that the funds in the Acquisition Account are sufficient to pay the entire Related Costs. If the Company makes any payment pursuant to this Section 4.1, it will not be entitled to reimbursement or reduction of the Rent. Subject to Section 4.17, the Company will not allow any contractor, subcontractor, materialman or laborer with respect to the Project to remain unpaid, and will take all actions or cause to be taken all actions necessary to prevent liens by such parties being filed against the Project Property. The application of the proceeds of the sale of the Bond and the disbursement of the same from the Acquisition Account will be governed by and subject to the terms and conditions of the Indenture.

(c) On the date the final phase of the Project is complete, in the sole opinion of the Company (the "Completion Date"), the Company will deliver to the Issuer and the

Depository a certificate signed by an Authorized Company Representative stating that, except for specified amounts remaining in the Acquisition Account for any specified Related Costs incurred by the Company but not then due and payable, the Project is complete and all costs in connection with the Project have been paid for or provision has been made for their payment.

Section 4.2 Project under the Act.

(a) The Company will not make any changes to the Project, as described in the Project Plan, that will change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act, and will not operate the Project so as to cause the Project Property not to be a "project" within the meaning of the Act.

(b) The Company shall have the sole responsibility for the acquisition, construction and installation of the Project as agent for the Issuer, and may perform the same, by itself or through affiliates, agents, contractors or others selected by it, in whatever lawful manner it deems necessary, and procure from the appropriate State, county, municipal and other authorities, corporations and other entities, connection and discharge arrangements for the supply of natural gas and other fuel, as necessary, and for electricity, water, sewer and other commodities for the operation of the Project.

(c) In the exercise of any remedies provided in Sections 8.3 and 8.4 hereof, the Issuer shall not take any action at law or in equity that could result in the Issuer obtaining possession of the Project Property or operating the Project as a business or otherwise.

Section 4.3 Agreement to Issue Bond. In order to provide funds for the Project, the Issuer will issue and deliver the Bond in accordance with the Indenture. The Issuer will cause the proceeds of the sale and funding of the Bond to be deposited into the Acquisition Account, all as provided in the Indenture.

Section 4.4 No Warranty. THE COMPONENTS OF THE PROJECT PROPERTY HAVE BEEN DESIGNATED AND SELECTED BY THE COMPANY. THE ISSUER HAS NOT MADE AN INSPECTION OF ANY PORTION OF THE PROJECT PROPERTY. THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED OR OTHERWISE, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY OR THE LOCATION, USE, DESCRIPTION, DESIGN, TECHNOLOGY, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY OF THE SAME, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN THE SAME. ALL RISKS INCIDENT TO THE PROJECT PROPERTY ARE TO BE BORNE BY THE COMPANY. THE ISSUER WILL HAVE NO LIABILITY WITH REGARD TO OR ARISING OUT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN ANY PORTION OF THE PROJECT PROPERTY, WHETHER PATENT OR LATENT. THE PROVISIONS OF THIS SECTION 4.4 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED TO THE EXTENT ALLOWED BY LAW, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY, WHETHER ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 4.5 Gross Receipts and Compensating Tax.

(a) The Company, either on its own behalf or as agent for the Issuer pursuant to Section 4.1 and this Section, will file returns for reporting and paying compensating tax which is due because of the Project and will pay, as a Related Cost, any gross receipts or compensating tax due from the Issuer under any such returns pursuant to Sections 7-9-14 and 7-9-54 NMSA 1978. The Issuer, at the request of the Company, or the Company, as agent for the Issuer, will apply to the TRD for nontaxable transaction certificates (as such term is used in the Gross Receipts and Compensating Tax Act, Chapter 7, Article 9, NMSA 1978) ("Nontaxable Transaction Certificates") to be issued by the Company, as agent for the Issuer, to vendors, in order to permit the vendors to claim deductions available under the New Mexico Gross Receipts and Compensating Tax Act for the vendors' receipts from the Company, as agent for the Issuer, for sales of Project Property. The Company will pay any gross receipts or compensating tax plus applicable penalty and interest that is found by the TRD to be due from the Company or the Issuer with respect to the Project. The Company, at its sole expense, may request any rulings from the TRD which the Company determines may be necessary or desirable to clarify the New Mexico gross receipts and compensating tax implications of transactions related to the Project and may dispute, at its sole expense, in any manner authorized by the New Mexico Tax Administration Act or other applicable procedures, any gross receipts or compensating tax liability imposed on the Company or the Issuer because of the Project, provided the Company shall not pursue a dispute that, in the reasonable opinion of the Issuer, will materially and adversely affect the interest or rights of the Issuer. The Issuer specifically acknowledges that since the adoption of the Inducement Resolution, an agency relationship for purposes of the gross receipts tax deduction under Section 7-9-54 NMSA 1978 and applicable regulations has existed between the Issuer and the Company with respect to the Project. The Issuer agrees, at the request and expense of the Company, to make reasonable modifications to this Lease that are necessary or desirable to obtain Nontaxable Transaction Certificates or otherwise reduce the gross receipts and compensating tax imposed upon the Company or the Issuer as a result of the Project or its operation.

(b) The receipts of vendors from the sale of tangible personal property to the Issuer, which tangible personal property is included in the Project Property (but excluding "construction material", as defined in Section 7-9-3.4(B) NMSA 1978), shall be deductible from gross receipts or governmental gross receipts, and exempt from compensating tax, to the fullest extent permitted by Sections 7-9-14 and 7-9-54 NMSA 1978 and 3.2.212.22 NMAC and sections of the NMSA 1978 and the New Mexico Administrative Code (NMAC) under which such provisions or similar provisions may be codified or renumbered in the future. The deduction from gross receipts or governmental gross receipts, and the exemption from compensating tax, shall not apply to purchases of Project Property except as provided in the preceding sentence, and, except as contemplated in the preceding sentence, the Company shall not be authorized by this Lease to provide Nontaxable Transaction Certificates to vendors.

Section 4.6 Assessment in the Company's Name. Notwithstanding any other provisions of this Lease, if this Lease has not been terminated on or before the Maturity Date (see definition in Indenture), then the Issuer shall convey the Project Property to the Company on the Maturity Date, the Company will take all necessary action to have the Project Property assessed for property tax purposes in the name of the Company on and after the Maturity Date, and the Company will pay all ad valorem taxes imposed on the Project Property from and after the

Maturity Date. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

Section 4.7 Compliance With Law. The Company will obtain, or cause to be obtained, all Licensing Approvals necessary for the construction, installation, operation or maintenance of any Improvements prior to commencement of each such activity. The Company will obtain or cause to be obtained all necessary licenses, permits and approvals for storage on or at the Project Site, will comply with all lawful requirements of any governmental body, agency or department regarding the use or condition of the Project and will cause each phase of the Project, upon completion, to comply with all applicable zoning and planning ordinances, building codes, restrictive covenants, the Environmental Laws, and all other applicable laws, ordinances, statutes, rules and regulations relating to the Project Property. The Company may in good faith contest the validity or the applicability of any such requirement. During the period of such contest and any related appeal, this Section 4.7 will be deemed satisfied with respect to the requirement so contested.

Section 4.8 Nuisance Not Permitted. The Company will not permit or suffer its agents, employees, invitees (including building contractors and subcontractors), guests or other visitors to commit a nuisance on or about the Project Property or itself commit a nuisance in connection with its use or occupancy of the Project.

Section 4.9 Taxes and Utility Charges. The Company will pay, as and when due, (i) all taxes, assessments, and governmental and other charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Property, (ii) all utility and other charges incurred in the operation, maintenance and storage activities at or about the Project Property, and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by any lien on the Project Property. The Company may, in good faith, contest the amount or validity of any such levy, tax, assessment or other charge by appropriate legal proceedings. During the period of such contest and any related appeal, this Section 4.9 will be deemed satisfied with respect to any such levy, tax, assessment or other charge so contested.

Section 4.10 Maintenance. The Issuer will not be under any obligation to, and will not, operate, maintain or repair the Project Property. During the Term, the Company will, at its own expense, keep the Project Property in safe repair and in such operating condition as is needed for its operations and make all necessary repairs and replacements to the Project Property as determined in the Company's sole discretion (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen).

Section 4.11 Replacement and Removal of Project Property. The Company may replace or remove any equipment, fixtures or furnishings constituting a part of the Project Property, provided that such replacement or removal will not change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act. Upon request of the Company, the Issuer will deliver to the Company, at the sole expense of the Company, appropriate instruments evidencing the acquisition by the Company of title to any machinery, equipment or fixtures permitted by this Section 4.11 to be so replaced or removed. The provisions of Section 10.2 shall govern the delivery and form of any such instruments.

Section 4.12 Environmental Matters.

(a) Subject to any "exemptions" and "exceptions" received from regulatory agencies, the Company shall obtain all permits, licenses, approvals, and other authorizations which are required under the Environmental Laws and shall conduct all activities related to the Project Property in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws or contained in any regulation, code, plan, order, decree, judgment, notice, demand letter, permit, license, approval, or authorization issued, entered, or promulgated under the Environmental Laws. The Company acknowledges, subject to any "exemptions" and "exceptions" received from the NRC, that it is subject to the applicable provisions of 10 C.F.R. Parts 30, 40, 70 and 95, in applying for and upon issuance of the NRC License.

(b) To the extent that the use that the Company makes or intends to make of the Project Property will result in the use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence of any Hazardous Material or solid waste in, on, under, to or from the Project Property, such use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence will comply with the Environmental Laws.

(c) The Company will promptly notify the Purchaser and the Issuer of any material violation or alleged material violation of the Environmental Laws pertaining to the Project Property of which the Company becomes aware, or of any pending or threatened investigation relating to the Environmental Laws involving the Project Property or the Company's use or operation of the Project Property of which the Company becomes aware. Inspections conducted from time to time by regulatory agencies do not constitute an "investigation" for purposes of this notice requirement. The Company will provide the Issuer and the Purchaser with any State regulatory inspection reports regarding the Project that are not available publicly.

Section 4.13 Easements. With the consent of the Issuer, which will not be unreasonably withheld or delayed, and subject to the terms of the Easement, if applicable, (i) the Company may at any time or times grant easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to any part of the Project Property and (ii) the Company may release existing interests, easements, licenses, rights-of-way and other rights or privileges with or without consideration, provided that no such grant or release shall materially and adversely affect the value, operation or utility of the Project Property. The Issuer will, at the Company's expense, reasonably cooperate in connection with the execution of required instruments in connection with the grant and release of such easements, licenses, rights-of-way and other rights and privileges.

Section 4.14 Eminent Domain; Damage; Destruction. The Company will give prompt notice to the Issuer and the Purchaser of any material damage to or destruction of the Project Property. If either the Issuer or the Company receives notice of the proposed taking of all or any part of the Project Property by Eminent Domain, it will give prompt notice to the other and the Purchaser. Any such notice will describe generally the nature and extent of such damage, destruction, taking or proposed taking. The Proceeds resulting from the exercise of Eminent

Domain with respect to or from any damage to or destruction of all or any portion of the Project Property will be paid to the Company.

Section 4.15 Insurance. The Company will keep the Project continuously insured with respect to such risks and in such amounts, with such deductible provisions, as are customary in connection with the operation of facilities of the type and size comparable to the Project and in compliance with all insurance coverages required for Licensing Approvals (including coverages required pursuant to 10 C.F.R. Parts 40 and 70) and, following the NRC's issuance to the Company of a license, 10 C.F.R. Part 140, and as otherwise required by the NRC. The Company shall furnish satisfactory certificates of insurance for all insurance from financially sound insurance companies licensed and authorized to do business in the State, and such certificates shall name the Company and the Issuer as loss payees for each casualty insurance policy, shall name the Company and the Issuer as additional or co-insureds under each public liability insurance policy and shall include a provision requiring thirty (30) days prior written notice to Issuer for cancellation, reduction or change in any coverage. Such insurance may, to the extent permitted under applicable law, be provided by blanket policies maintained by the Company, by a captive insurance company controlled by the Company or through self-insurance. Such insurance will include general liability insurance against liability for (i) claims for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the Project, (ii) liability with respect to the Project under the workers' compensation laws of the State (unless the Company has complied with the requirements of the laws of the State for self-insurance), and (iii) liability for bodily injury and property damage with respect to owned and leased automobiles or trucks, non-owned automobiles or trucks and hired cars or trucks. To the extent not otherwise required by the Licensing Approvals, the Company shall maintain comprehensive general liability coverage of at least \$1,000,000 per occurrence and pollution liability insurance coverage of at least \$1,000,000 per occurrence, provided such coverages are available to the Company at commercially reasonable rates.

Section 4.16 Access and Inspection. During the Term, the Issuer, the Purchaser and their duly authorized agents shall have the right to inspect the Project Property, subject to compliance with the Company's access requirements as approved by the U.S. Nuclear Regulatory Commission.

Section 4.17 Liens. Except for Permitted Liens, the Company will not suffer any liens to exist on the Project Property as a result of any claims brought against the Company pursuant to a right or interest not existing in connection with, or permitted by, this Lease. The Company will notify the Issuer and the Purchaser of the existence of any lien, other than a Permitted Lien, on the Project Property within 30 days after such lien attaches. The Company may, in good faith, contest the validity of any lien on the Project Property. During the period of such contest and any related appeal, this Section 4.17 will be deemed satisfied with respect to the lien so contested.

ARTICLE V - LEASE; TERM; POSSESSION; RENT

Section 5.1 Lease of the Project Property; Term. In consideration of the payment of Rent, the Issuer leases the Project Property to the Company for the Term.

Section 5.2 Quiet Enjoyment. So long as an Event of Default has not occurred and is not continuing, the Issuer will not take any action, other than pursuant to Article VII, to prevent the Company from having quiet and peaceable possession and enjoyment of the Project Property during the Term (except as necessary with respect to the exercise of Eminent Domain for public projects and purposes) and will, at the request of the Company and at the Company's expense, to the extent that it is lawfully necessary and the Issuer may lawfully do so, join in any legal action in which the Company asserts its right to such possession and enjoyment.

Section 5.3 Basic Rent and Additional Payments.

(a) The Company will pay to the Purchaser for the account of the Issuer, such amounts at such times as are necessary to make all payments of principal of, interest on and redemption price of the Bond in accordance with the terms of the Bond and the Indenture as and when due (the "Basic Rent").

(b) The Company will also make the following additional payments (the "Additional Payments"):

(i) to or on behalf of the Depository, the reasonable fees and charges of the Depository for all services of the Depository and all reasonable expenses (including reasonable counsel fees and expenses) incurred by the Depository in connection with its duties under the Indenture, if scheduled, when due and, otherwise, promptly on demand by the Depository (which fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser); and

(ii) to or on behalf of the Issuer, promptly on demand of the Issuer, all reasonable out-of-pocket costs and expenses including, but not limited to, reasonable counsel fees and expenses paid or incurred by the Issuer in connection with (A) the discussion, negotiation, preparation, approval, execution, and delivery of the Bond, the Indenture, the Bond Purchase Agreement, this Lease, and the other documents related thereto, (B) any amendments or modifications to any of the foregoing documents and the discussion, negotiation, preparation, approval, execution and delivery of any and all documents necessary to effect such amendments or modifications, and (C) the enforcement by the Issuer, during or after the Term, of any of the rights or remedies of the Issuer under any of the foregoing documents, instruments or agreements, including without limitation reasonable costs and expenses of collection, whether or not suit is filed.

Section 5.4 Obligation Unconditional. The obligation of the Company to pay Rent and to perform its other obligations under this Lease is absolute and unconditional and will not be subject to diminution by set off, counterclaim, abatement or otherwise, whether as a result of Eminent Domain with respect to, damage to or destruction of or removal of all or any portion of the Project Property or any other event or condition. Until the Bond is paid in full, as provided by the Indenture, or this Lease is earlier terminated, the Company will not suspend or discontinue payment of the Rent or fail to perform any of its obligations under this Lease and will not terminate this Lease prior to the expiration of the Term for any cause. In the event the Issuer fails to perform any of its obligations under this Lease, the Company may institute such action against the Issuer as the Company may deem necessary to compel such performance. The Company may also, at its own cost and expense and in its own name or, if legally necessary, in

the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third parties which the Company deems reasonably necessary in order to secure or protect its title, right of possession, occupancy, operation and right of purchase of, the Project Property. In such event, if no Event of Default has occurred and is continuing, unless waived by the Purchaser, the Issuer will cooperate with the Company, so long as it is not the adverse party, upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket costs, expense (including reasonable counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation.

Section 5.5 Net Lease. This Lease will be deemed and construed to be a "net lease," and the Company will pay Rent, free of any deductions and without abatement, diminution or setoff.

ARTICLE VI - SPECIAL COVENANTS

Section 6.1 Recording and Filing; Further Assurances. The Company will, at the direction of the Purchaser and at the expense of the Company, take all actions that at the time are and from time to time may be reasonably necessary to perfect, preserve, protect and secure the interest of the Issuer and the Purchaser in and to the Rent and in the Project Property, to the extent of the Issuer's interest therein under this Lease, including, without limitation, the recordation of this Lease and the Indenture, the filing of financing statements and continuation statements (if deemed necessary by the Purchaser), and the execution, acknowledgment, delivery, filing and recordation of any other necessary agreements and instruments. The Issuer will execute such instruments as may be reasonably requested by the Company to permit compliance with this Section 6.1.

Section 6.2 Claims. The Company will pay and discharge and will indemnify and hold the Issuer harmless from (a) any lien or charge upon payments by the Company to, or for the account of, the Issuer under this Lease and (b) any taxes, assessments, impositions and other charges in respect of the Project Property except for charges that are being contested under Section 4.9 hereof. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company will have the sole right and duty to assume the defense of the same and will have the power to litigate, compromise or settle the same.

Section 6.3 Release and Indemnification.

(a) The Company acknowledges that the Issuer is acting as a conduit issuer in this transaction and has agreed to issue an industrial revenue bond at the request of the Company in order to enable the Company to take advantage of certain tax benefits. The Company understands that, under Section 4-59-6 NMSA 1978, the Issuer does not have the power to incur a pecuniary liability or to obligate itself except with respect to the Bond proceeds, the Project Property and the application of the revenues therefrom.

(b) The Company releases the Issuer from, agrees that the Issuer will not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all liabilities, claims, suits, costs and expenses which are or may be imposed upon, incurred or asserted against the Issuer on account of: (i) any loss or damage to property or injury to or death of or loss by any

person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation, use or decommissioning of the Project (ii) any storage activities at, on, in, under or about the Project Property; (iii) any breach or default on the part of the Company in the performance of any representation, covenant or agreement of the Company under this Lease, or any related document, or arising from any acts or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (iv) the Company's failure to comply with any requirements of this Lease; (v) any other loss, claim, damage, penalty, liability, disbursement, litigation expense, attorneys' fees, experts' fees or court costs arising out of or in any way relating to the execution or performance of this Lease, actions taken under the Indenture or any other cause whatsoever pertaining to the Project Property; and (vi) any claim, action or proceeding brought with respect to the matters set forth in (i), (ii), (iii), (iv) and (v) above, excluding, however, from the scope of the release and indemnity under this Section 6.3(b), any matters covered under the release and indemnity involving health and the environment under Section 6.3(c) below.

(c) The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all claims, suits, judgments, fines, penalties, assessments, natural resource damages, response costs (such as the cost of any testing, sampling, medical or other monitoring, cleanup, or other required response action), costs necessary to bring the Project Property or the Project into compliance with the Environmental Laws and other liabilities, together with attorneys' fees and experts' fees, costs and expenses which are or may be imposed upon, incurred by, or asserted against the Issuer resulting from or in any way connected with the use, handling, mixing, generation, storage, manufacture, refining, release, transportation, treatment, disposal or other release or presence, at, in, on, under or from the Project Property, of any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, oils, asbestos in any form or conditions, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of the Environmental Laws, or any other applicable federal, state or local law, regulation, ordinance or requirement relating to or imposing liability or standards of conduct concerning any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter amended from time to time.

(d) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matters described in Subsection 6.3(b) or (c) above and in respect of which indemnity is sought against the Company pursuant to Subsection 6.3(b) or (c) above, the Indemnified Party or Indemnified Parties seeking indemnity shall, within ten days of being notified of an action against it, notify the Company, in writing, and the Company shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Company and approved in writing by the Issuer (provided that such approval by the Issuer shall not be unreasonably withheld), the payment of the reasonable expenses of such counsel, and the right of the Issuer to participate in negotiations and to consent to settlement. If any Indemnified Party is advised in a written opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Company, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Company shall not have the right to assume or cause the assumption of the defense of such Indemnified Party, and the Company shall be responsible for the reasonable fees and expenses of counsel retained by

such Indemnified Party, provided such counsel is approved in writing by the Company, in assuming its own defense. If the Company shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Company. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party or Indemnified Parties unless the employment of such counsel has been specifically authorized in writing by the Company. The Company shall not be liable for any settlement of any such action effected without the written consent of the Company, but if settled with the written consent of the Company, or if there is a final judgment for the plaintiff in any such action with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(e) The indemnifications set forth in this Section 6.3 are intended to and will include the indemnification of all affected officials, members of the Board of County Commissioners, officers, employees and agents of the Issuer (together with the Issuer, the "Indemnified Parties" and each singularly an "Indemnified Party"). The indemnification is intended to and will be enforceable by the Issuer, to the full extent permitted by law.

(f) No release or indemnity is given under this Section 6.3 due to the exercise by the Issuer of its police powers or in the performance of any essential governmental function but excluding the governmental functions related to the authorization of the Project under the Act; and provided further that there shall be excluded from the scope of this release and indemnity any liability, claims, costs and expenses imposed upon, incurred or asserted against the Issuer resulting from or arising out of the willful misconduct or negligence of the Indemnified Parties or any Indemnified Party.

Section 6.4 Approval of Indenture; Obligations Under Indenture. The Indenture has been submitted to the Company for examination and the Company acknowledges, by execution of this Lease, that it has approved the Indenture and will perform the obligations assigned to it in the Indenture.

Section 6.5 Assignment of Warranties. The Issuer will, to the extent possible and at the expense of the Company, transfer and assign to the Company from time to time any and all of the Issuer's rights and interests in and under any warranties obtained in connection with the Project Property and will give the Company the right to take action in either the Issuer's or Company's name for the enforcement of such warranties.

Section 6.6 Company to Maintain Its Existence. Except in connection with a transaction permitted under Section 7.3 hereof, the Company will maintain its existence as a limited partnership and will not dissolve or otherwise dispose of all or substantially all of its assets.

Section 6.7 Good Standing. The Company will execute, file and record all certificates and other documents and perform such other acts as may be necessary or appropriate to comply

with all requirements for the formation and operation of a limited partnership under the laws of Delaware and the State and the operation of the Project Property under the laws of the State.

Section 6.8 Authority of Authorized Representative of Issuer. Whenever under the provisions of this Lease the approval of the Issuer is required or the Company is required to take some action at the request of the Issuer, such approval or such request will be made by the Authorized Issuer Representative unless otherwise specified in this Lease, and the Company or the Depository will be authorized to act on any such approval or request and the Issuer will have no complaint against the Company or the Depository as a result of their taking any such action.

Section 6.9 Authority of Authorized Representative of Company. Whenever under the provisions of this Lease the approval of the Company is required or the Issuer is required to take some action at the request of the Company, such approval or such request will be made by the Authorized Company Representative unless otherwise specified in this Lease, and the Issuer or the Depository will be authorized to act on any such approval or request and the Company will have no complaint against the Issuer or the Depository as a result of any such action taken.

Section 6.10 Other Instruments. The Company will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers (i) as the Issuer or Purchaser may from time to time reasonably require for better assuring the Issuer's title to or interest in, the Project Property, or transferring and conveying the Project Property to the Issuer and the better pledging under the Indenture of the moneys receivable under this Lease, and (ii) as the Issuer and the Depository may from time to time reasonably require in furtherance of the accomplishment of the purposes of any of the Bond Documents.

Section 6.11 Payment in Lieu of Property Taxes.

(a) The Issuer and the Company acknowledge that during the Term, the Project Property will be exempt from property taxation pursuant to Article VIII, Section 3 of the State constitution and Section 7-36-3 NMSA 1978. Notwithstanding the foregoing, the Company will pay payments in lieu of property tax ("PILOTs") as provided in subsections (b) and (c) of this Section.

(b) Subject to provisions of subsection (c) of this Section, the Company shall pay to the Issuer, on each date the Company would have been required to pay property taxes if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer, an amount equal to twenty percent of the total amount of property tax (i.e., the tax arising from the combined levies of all taxing entities whose taxing jurisdiction encompasses the Project Site) that would have been due on such date if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer. The amounts of the PILOT pursuant to this subsection (b) (the "Main PILOT") shall be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year with respect to the Project Property if the Bond had not been issued by the Issuer. The property tax valuation for the Project Property for each tax year shall be determined by the Lea County Assessor (the "Assessor") using information provided by the Company and such other information obtained from other sources as is deemed relevant by the Assessor. The Company shall provide the Assessor all information that the Assessor may lawfully require for the purpose of determining

the assessed valuation of the Project Property from year to year. The Company may challenge the valuation determined by the Assessor on the same grounds as would be available to it if it were assessed for property tax for the Project Property; provided, however, that no payment of the Main PILOT shall be delayed by reason of a dispute of the valuation of the Project Property. In the event of a dispute concerning the valuation, the Company shall pay the Main PILOT calculated according to the most recent undisputed valuation of the Project Property, and when the dispute is resolved shall pay an amount (or receive a credit, as applicable, against future Main PILOT payments) equal to the difference between the adjusted amount of the Main PILOT and the amount already paid, in accordance with the valuation determined through the dispute resolution or adjudication, as applicable. The Main PILOT shall be paid directly to the Issuer, and the Company shall have no responsibility for the Issuer's use or distribution of such amounts.

(c) The parties anticipate that the City of Eunice (the "City") will construct water and sewer lines connecting the Project with the City's water and sewer utilities. The Company shall pay the pre-construction engineering and design costs for such lines as they become due and payable, up to an amount of \$125,000. The Company shall further pay all of the right-of-way acquisition, construction services and materials costs for such lines, as they become due and payable (the "Pipeline PILOT"). Fifty percent of the amount paid as the Pipeline PILOT shall be credited against the Main PILOT in equal amounts per year over a period of five years, beginning in the tax year immediately following the final payment of the last amount of the Pipeline PILOT; provided, however, that if the amount of the Pipeline PILOT to be credited in any year exceeds the amount of the Main PILOT for that year, then the excess amount of the credit shall be carried forward and applied against the first available amount of Main PILOT in succeeding years. The Company's payment of the pre-construction engineering and design costs and the Pipeline PILOT under this subsection may be paid to the City or directly to the entities furnishing such engineering and design, right-of-way acquisition, construction services and materials at the discretion of the Company. Satisfactory written evidence of such payments shall be promptly furnished to the City and the Issuer.

ARTICLE VII - ASSIGNMENT, LEASING AND SELLING

Section 7.1 Assignment of Rights by the Issuer. Concurrently with issuance of the Bond, the Issuer will pursuant to the Indenture assign and pledge to the Purchaser certain of the Issuer's rights, title and interests in and to this Lease, as security for payment of the principal of, interest on and redemption price of the Bond. Thereafter, the Purchaser will be vested with, and authorized to exercise, such rights of the Issuer and the Purchaser under this Lease. The Company assents to such assignment and pledge.

Section 7.2 No Other Transfer by Issuer. Except as provided in Sections 4.6, 4.11 and 7.1 and Article X, the Issuer will not sell, assign, transfer or convey its rights, title or interests in this Lease or the Project Property, or its obligations under this Lease.

Section 7.3 Assignment, Lease, Mortgage and Sale by the Company.

(a) If the Company is not in default under this Lease or the Indenture, the rights of the Company under this Lease may be assigned, and the rights of the Company in the Project Property may be assigned, leased, subleased, mortgaged or sold (other than as provided in

Section 4.11) as a whole or in part by the Company (each, an "assignment transaction"). No assignment transaction will relieve the Company from liability for making payments of Rent and for the performance of its other obligations under this Lease, including but not limited to its obligations under Sections 4.5, 4.15, 5.3(b), 6.3, 6.11 and 8.4 hereof, to the same extent as though such transaction had not been consummated, unless (i) such assignment, lease, sublease, mortgage or sale is to an affiliate (as such term is used in regulations pursuant to the Securities Exchange Act of 1934) of the Company, or (ii) the Issuer and the Purchaser shall consent to such assignment transaction, which consent shall not be unreasonably denied or withheld. In requesting the consent of the Issuer and the Purchaser under (a)(ii) of this Section 7.3, the Company shall comply with the transfer requirements of 10 C.F.R. Parts 40 and 70, as applicable. To the extent required by the Purchaser, any assignee, lessee, sublessee or purchaser of a material portion of the Company's interest in this Lease or of the Project Property will assume in writing the obligations of the Company under this Lease with respect to the interest assigned, leased or sold.

(b) The Company will, not more than 120 days nor less than 30 days before the effective date of any assignment transaction, furnish or cause to be furnished to the Issuer and the Purchaser a true and complete copy of such proposed assignment, lease, sublease, mortgage or purchase contract, and to the extent applicable, such assumption. On the effective date of any such assignment transaction, the Company will, at the request of the Issuer or the Purchaser and at the expense of the Company, deliver to the requesting Party an opinion of counsel to the Company to the effect that such assignment, lease, sublease, mortgage or sale has been duly authorized by the Company, does not conflict with applicable federal or State law, and does not affect the status of the Project as a "project" under the Act.

ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default Defined. Each of the following events is an "Event of Default":

(a) failure by the Company to make any Rent payment when due, and such failure continues for a period of five Business Days; or

(b) any Bond Document, or any certificate or other document delivered pursuant to any Bond Document, contains a material misrepresentation by the Company, which misrepresentation continues to materially adversely affect the Issuer, the Purchaser or the Depository, and the Company fails to cure the effect of such misrepresentation within thirty Business Days after the aggrieved Party gives the Company written notice of such misrepresentation;

(c) failure by the Company to perform any of its obligations under this Lease or the Indenture, other than the payment of Rent, for a period of 30 Business Days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Purchaser, or, if such failure cannot reasonably be remedied within 30 days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion; or

(d) the occurrence of a "Default" as defined in the Indenture; or

(e) the Company files a voluntary petition in bankruptcy or is adjudicated insolvent or bankrupt, or files any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Company or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or makes any general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; or

(f) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Company seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of the Company or any guarantor of any obligations under the Bond or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, is appointed without the consent or acquiescence of the Company or such guarantor, as applicable, and such appointment remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive); or

(g) a writ of execution or attachment or any similar process is issued or levied against all or any part of or interest in the Project Property, or any judgment involving monetary damages is entered against the Company or the Issuer that becomes a lien on the Project Property or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy; or

(h) any suit or proceeding is filed against the Company that, if adversely determined, would substantially impair the ability of the Company to perform any of its obligations contained in the Bond Documents or the Bond, and counsel for the Company or independent counsel retained by the Purchaser has formed a professional conclusion that an adverse outcome is probable, as that term is defined in the American Bar Association's Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information.

Section 8.2 Remedies on Default.

(a) If an Event of Default occurs and is continuing, the Purchaser, as the assignee of the Issuer under the Indenture, and on behalf of the Issuer, may, but is not required to, take any one or more of the following remedial steps:

(i) by written notice to the Company declare all such amounts of Rent payable for the remainder of the Term as are required to provide for the Payment of the Bond, whereupon the same will be immediately due and payable;

(ii) take whatever action at law or in equity may appear necessary or desirable to collect the Rent then due and thereafter to become due or to enforce the performance and observance of any obligation of the Company under this Lease or the Indenture; or

(iii) exercise any remedies provided for in the Indenture.

(b) In the exercise of any remedies provided in this Section 8.2, the Purchaser shall not take any action at law or in equity that could result in the Purchaser obtaining possession of the Project Property or operating the Project as a business or otherwise.

(c) In the enforcement of the remedies provided in this Section 8.2, the Purchaser, as the assignee of the Issuer and on behalf of the Issuer, will treat all expenses of enforcement, including, without limitation, legal, accounting and advertising fees, as Additional Payments then due and owing. In the exercise of any of the remedies in Section 8.2(a)(i) through (iii) above, the Purchaser, as the assignee of the Issuer, has the sole responsibility for the exercise of such remedies if an Event of Default occurs and is continuing, and except for the exercise of Issuer's remedies under Sections 8.3 and 8.4 below, the Issuer shall not exercise any remedies provided under this Lease unless specifically authorized in writing by the Purchaser.

Section 8.3 Issuer's Remedies. Subject to Section 4.2(c) hereof, the Issuer may take whatever action at law or in equity may appear necessary or desirable to enforce the performance and observance of any Unassigned Rights Obligation under this Lease, including, without limitation, the Reconveyance Remedy provided in Section 8.4 of this Lease.

Section 8.4 Reconveyance Remedy. Subject to Section 4.2(c) hereof, if the Company (i) fails to complete the Project as provided in Section 4.1 of this Lease, (ii) makes changes to the Project or operates the Project in such a manner that would result in the Project no longer qualifying as a "project" within the meaning of the Act, (iii) ceases to operate the Project, or (iv) fails to perform any Unassigned Rights Obligation under this Lease, and any of such circumstances continues for 60 days after notice by the Issuer to the Company, then the Issuer shall have the right to immediately convey the Project Property to the Company and take all steps necessary to have the Project Property immediately assessed for property tax purposes in the name of the Company from and after 60 days after such notice is given. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

Section 8.5 Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default or an event or condition which, with notice or the lapse of time or both would constitute an Event of Default, has occurred, and the Issuer or the Purchaser employ attorneys or incur other expenses for collection of Rent or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained herein, the Company agrees that it will on demand therefor pay to the Issuer, or the Purchaser, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Issuer or the Purchaser.

Section 8.6 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder. In view of the assignment of certain of the Issuer's rights in

and under this Lease to the Purchaser pursuant to the Indenture, the Issuer will have no power to waive any Event of Default hereunder without the consent of the Purchaser. Notwithstanding the foregoing, a waiver of a Default under the Indenture or a rescission of a declaration of acceleration of the Bond and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event of Default under this Lease and a rescission and annulment of its consequences; provided that no such waiver or rescission will extend to or affect any subsequent or other default hereunder or impair any right resulting therefrom.

Section 8.7 Survival of Obligations. Except as otherwise provided in Subsection 7.3(a) hereof, the Company's obligations hereunder, including, without limitation, its obligations to make payments, will survive any sale of all or any portion of the Project Property or exercise of any other remedy in accordance with this Article and the Company will continue to pay the payments and perform all other obligations provided herein to the extent necessary to fulfill its obligation hereunder.

ARTICLE IX - PREPAYMENTS

Section 9.1 Prepayments. The Company may at any time (including after the occurrence and during the continuance of an Event of Default) and for any reason cause all or any portion of the outstanding amount of the Bond to be redeemed in accordance with the provisions of the Indenture, which redemption may occur on the same day the Purchaser advances proceeds of the Bond to the Company pursuant to Section 404 of the Indenture. The Company shall send notice of such redemption to the Issuer, the Depository and the Purchaser not less than one (1) Business Day prior to the redemption date. Such notice will specify the redemption date and the principal amount of the Bond redeemed. On the redemption date the Company will prepay that portion of the Rent equal to such principal amount plus accrued interest, if any, on such principal amount to the redemption date by payment of such amounts to the Purchaser; provided that in the event of a redemption of all the outstanding amount of the Bond, the Company shall pay, in addition on the redemption date, all Additional Payments payable to the Issuer or the Depository, as the case may be.

ARTICLE X - EXERCISE OF OPTION AND PURCHASE OF PROJECT PROPERTY

Section 10.1 Purchase of Project Property. The Company will purchase, and the Issuer will sell, the interests of the Issuer in the Project Property for \$1.00 and any unpaid Additional Payments at the expiration or sooner termination of this Lease (provided that the Rent and all other amounts due hereunder have been fully paid) and following Payment of the Bond and release of the Indenture pursuant to its provisions. The Company will give notice to the Issuer specifying the date of closing of such purchase, which will be not less than 15 days nor more than 90 days from the date of such notice. At the closing of such purchase, upon payment of the amount due by the Company, the Issuer will, at the expense of the Company, convey the Project Property to the Company subject to the provisions of Section 10.2.

Section 10.2 Conveyance. At the closing of a purchase pursuant to this Article X, the Issuer will, upon receipt of the purchase price and at the sole expense of the Company, deliver to the Company documents, including, but not limited to a quitclaim deed or other transfer or conveyance documents, conveying to the Company the Issuer's interest in the Project Property being purchased, as such Project Property then exists subject only to: (i) those liens and

encumbrances (if any) to which title to or interest in, the Project Property was subject when conveyed to the Issuer; (ii) those liens and encumbrances created by the Company or any party other than the Issuer or to the creation or suffering of which the Company consented; (iii) those liens and encumbrances resulting from the failure of the Company to perform any of its obligations under this Lease; (iv) Permitted Liens other than the Indenture and this Lease; and (v) any other lien arising as a matter of law. The Company may purchase the Project Property and exercise its other rights under this Article X, whether or not an Event of Default has occurred and is continuing.

ARTICLE XI - MISCELLANEOUS

Section 11.1 Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of this Lease and Section 1112 of the Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default. In order for any Party to exercise any remedy reserved to it in the Bond Documents, such Party shall not be required to give any notice other than such notice as may be expressly required in the Bond Documents.

Section 11.2 Amendments. This Lease may be amended by one or more instruments signed by the Issuer and the Company, and consented to by the Purchaser. The Issuer shall amend this Lease as requested by the Company or a lender or other entity providing all or any part of the Project Financing, provided any such amendment is not inconsistent with the Bond Ordinance.

Section 11.3 Limitation of Issuer's Liability.

(a) No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with any property of the Company financed, directly or indirectly, out of the Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body, or constitute a charge against the Issuer's general credit, or will obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. No failure of the Issuer to comply with any terms, covenants or agreements herein or in any document executed by the Issuer in connection with the Bond will subject the Issuer to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the funds available hereunder or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. The Issuer shall not be required to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder unless it will first have been adequately indemnified to its satisfaction against the cost, expense or liability which might be incurred thereby. Nothing herein will preclude a

proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein or in the Indenture; provided that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds available hereunder or under the Indenture and pledged to the payment of the Bond.

(b) No covenant, obligation or agreement in this Lease shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the governing body of the Issuer in other than his official capacity, and neither the members of that governing body nor any official executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Lease or in the Indenture.

Section 11.4 No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Lease, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

Section 11.5 Release. The Issuer will not be liable to the Company, and the Company releases and discharges the Issuer from any liability for any and all losses, costs, expenses (including attorneys' fees), damages, judgments, claims and causes of action, paid, incurred or sustained by the Company as a result of or relating to any action, or failure or refusal to act, on the part of the Depository or the Purchaser with respect to the Bond, the Indenture, this Lease, or the documents and transactions related hereto or thereto or contemplated hereby or thereby, including, without limitation, the exercise by the Depository, Purchaser or any third party of any of its rights or remedies pursuant to any of such documents.

Section 11.6 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns.

Section 11.7 Severability. In the event any provisions of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Lease absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then this Lease shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 11.8 Recording. This Lease, the Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. This Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of the Indenture.

Section 11.9 No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the non-defaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 11.10 Non-Merger. The provisions of this Lease shall survive the conveyance or transfer of the Project Property to the Issuer, the reconveyance or transfer of the Project Property to the Company and any other performance hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 11.11 Execution in Counterparts. This Lease may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute any of the Bond Documents by executing any counterpart of such Bond Document.

Section 11.12 Notices. All notices required under this Lease shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:	Lea County Lea County Courthouse 100 North Main Street Lovington, NM 88260, Attn.: Dennis Holmberg, County Manager Phone: (505) 396-8601 Fax: (505) 396-2093
with a copy to:	Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 Fourth Street N.W. Suite 1000 Albuquerque, New Mexico 87102 Attention: Duane Brown and Peter Franklin
If to the Company:	Louisiana Energy Services, L.P. One Sun Plaza 100 Sun Lane NE, Suite 204 Albuquerque, NM 87109 Attention: E. James Ferland, President and CEO Phone: (505) 944-0194 Fax: (505) 944-0198

with a copy to:

Rodey Law Firm
201 Third St., Suite 2200
Albuquerque, NM 87102
Attention: Donald B. Monnheimer
Phone: (505) 766-7556
Fax: (505) 768-7395

If to the Purchaser:

NEF Series 2004, LLC
One Sun Plaza
100 Sun Lane NE, Suite 204
Albuquerque, NM 87109
Attention: E. James Ferland, President and CEO
Phone: (505) 944-0194
Fax: (505) 944-0198

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 11.13 Title; Headings. The title and headings of the articles, sections and subdivisions of this Lease have been used for convenience only and will not modify or restrict any of the terms or provisions of this Lease.

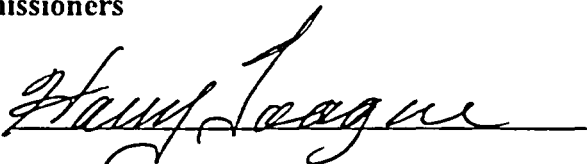
Section 11.14 Applicable Law. The validity, construction and effect of this Lease will be governed by the law of the State of New Mexico applicable to agreements made and to be performed in the State of New Mexico, without regard or effect given to conflict of law principles or rules that would require the application of the laws of any other jurisdiction.

Section 11.15 Subordination. The Issuer agrees to subordinate its title and interest in and to the Project Property and its rights as lessor under this Lease, to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably require to evidence such subordination. The Bond Ordinance authorizes the Chairman and Vice Chairman of the Board of County Commissioners of the Issuer to execute and deliver any agreements or other documents providing for such subordination.

IN WITNESS WHEREOF, the Issuer and the Company have executed this Lease the date set forth above.

ISSUER:

LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County
Commissioners


By: 

Name: Harry Teague

Its: Chairman of the Board of County
Commissioners

COMPANY:

LOUISIANA ENERGY SERVICES, L.P.

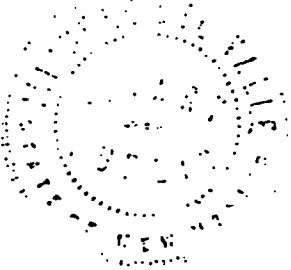
By: 

Name: E. James Ferland

Its: President and Chief Executive Officer

State of New Mexico)
) ss.
County of SANTAFE)

This instrument was acknowledged before me on January 22, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.

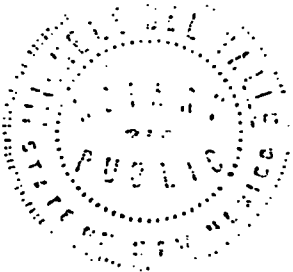


Michele Del Valle
Notary Public

My commission expires: May 18, 2004

State of New Mexico)
) ss.
County of SANTAFE)

This instrument was acknowledged before me on January 22, 2004, by E. James Ferland, as President and Chief Executive Officer of Louisiana Energy Services, L.P., a Delaware limited partnership.



Michele Del Valle
Notary Public

My commission expires: May 18, 2004

EXHIBIT A: DESCRIPTION OF PROJECT SITE

The Project Site consists of the following:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico and being more particularly described as follows:

BEGINNING at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 feet to the POINT OF BEGINNING.

EXHIBIT B: PERMITTED LIENS

1. Taxes for the year 2004, and thereafter, not yet due and payable, and all assessments applicable to the Project Property.
2. All interests or matters of record applicable to the Project Site (including any conditions, easements, rights-of-ways, licenses, covenants, restrictions, indentures, patents, reservations, and any and all other interests or matters of record), including those shown on any recorded plats, and including, without limitations, the following:
 - (a) Reservations, conditions and stipulations as contained in Patent appearing of record in the New Mexico State Land Office under Patent No. 1202902.
 - (b) Title to all the oil, gas, minerals and mineral substances within and underlying the premises, together with the drilling rights thereto belonging.
 - (c) Oil and Gas Lease filed with the New Mexico State Land Office and labeled B-4467 dated 6-10-35, executed by and between The State of New Mexico and Gypsy Oil Company, assigned to Gulf Oil Corporation in Assignment filed with the New Mexico State Land Office 2-24-36. Gulf Oil Corporation, evidenced by those certain Articles of Merger filed with the New Mexico State Land Office, changed its name to Chevron U.S.A. Inc. Chevron U.S.A. Inc. partially assigned lease to Louisiana Energy Services, L.P., evidenced by Partial Assignment of Oil and Gas Lease filed with the New Mexico State Land Office on 8-28-03 and Partial Assignment of Oil and Gas Lease dated 8-22-03, filed 8-28-03, in Book 1249, Page 610, Lea County Records, Lea County, New Mexico.
 - (d) Pipeline Easement (unrecorded) as evidenced by that certain Conveyance, Assignment and Bill of Sale dated 12-24-90, effective 12-31-90, filed 1-2-91, in Book 536, Page 273, Miscellaneous Records, Lea County, New Mexico, executed by Enron Corp. fka Northern Natural Gas Company to Northern Natural Gas Company. RE: Pipeline Easement (NMG 203-18).
 - (e) Right of Way filed in the New Mexico State Land Office as Permit No. RW22760, executed by Commissioner of Public Lands, State of New Mexico, to Big Three Industries, Inc. As assigned in that certain Assignment of Right of Way and Easement approved and filed with the New Mexico State Land Office October 14, 1986 and executed by Big Three Industries, Inc. to Big Three Carbon Dioxide Company. Big Three Carbon Dioxide Company changed its name to Air Liquide America Corporation as indicated in Miscellaneous Instrument #8970 filed with the New Mexico State Land Office. Said Right of Way assigned by Air Liquide America Corporation to Trinity Pipeline L.P. evidenced by Assignment filed with the New Mexico State Land Office on 7-21-03. Said Right of Way is labeled Underground Pipeline as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, Survey Records, Lea County, New Mexico, and as additionally shown and labeled as Permit for Right-of-way-Air Liquide America Corporation, New Mexico State Land Office Permit No. RW22760 on Survey prepared by Pettigrew and Associates, dated 8-26-03, filed 8-26-03, in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(f) State of New Mexico Grazing Lease No. GR 1855 filed in the New Mexico State Land Office. Executed by the New Mexico State Land Office to Wallach Ranch, LLC. And as mentioned in those certain Probate Proceedings, Lea County Probate Court case no. 3932, filed 10-29-75, styled In The Matter of the Estate of Paul Wallach, Deceased and referenced as GR 527, by and between State of New Mexico and Paul Wallach.

(g) Encroachment of the fence along the western boundary as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(h) Rights of Wallach Ranch, LLC and Wallach Concrete, Inc. set forth in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P. in and to the road running North to South along the center line of the property as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(i) The agreements, covenants and conditions including but not limited to the first right of refusal in favor of Wallach Ranch, LLC as mentioned in those certain unrecorded Letter Agreements dated 8-22-03 and that certain un-recorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P.

(j) The terms and conditions of that certain Easement No. RW28583 executed by the Commissioner of Public Lands, State of New Mexico on 8-20-03 to Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on August 22, 2003, as file no. RW28583, and filed in the Lea County Records on January 22, 2004, as file no. 50770.

(k) The terms and conditions of that certain Agreement Regarding Land Use Restriction or Condition effective 8-22-03 executed by and between the Commissioner of Public Lands, State of New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on January 20, 2004, as file no. LURC # 3, and filed in Lea County Records on January 22, 2004, as file no. 50771.

3. Any matters applicable to the Project Site pertaining to or arising out of circumstances existing on or before the date of this Lease, and including, but not by way of limitation:

- i. Rights or claims of parties in possession not shown by the public records, and easements or claims of easements, not shown by the public record.
- ii. Encroachments, overlaps, roadways, overlays, conflicts in boundary lines, shortages in area, or other matter which would be disclosed by an accurate survey and inspection of the Project Site.

- iii. Unpatented mining claims; reservations or exceptions in patents or in acts authorizing the issuance thereof; water rights claims or title to water.
- iv. Taxes or assessments which are not shown as existing liens by the public records, or any assessments against the Project Site.
- v. Any easement rights as a result of any roadways or rights-of-way affecting the Project Site.

SCHEDULE I

The Company has been advised by the NRC that it has commenced an internal investigation of a matter involving the submission by the Company of its license application before the NRC ("License Application") on December 12, 2003.

NRC regulations require that the portion of the License Application that addresses the classified information for the facility be filed separately from the rest of the License Application. When the License Application was filed, the classified information for the facility was sent to an NRC address identified in the NRC regulations. Although the Company also consulted the NRC's website, which indicated a change to the regulation (specifying a different address for submittal of classified information) would go into effect on January 1, 2004, the Company decided to use the address in the regulations in effect at that time.

About a week after the License Application was submitted to the NRC, the NRC notified the Company that the classified information had been mailed to the wrong address, and that the Company should have called the NRC to obtain the proper address. This proper address was not previously provided in any NRC documents other than as stated in the revised regulation that became effective on January 1, 2004.

As a result, the Company was advised that an NRC internal investigation is now ongoing, and even though the Company has taken appropriate corrective action, it is possible the NRC could issue a violation for sending the classified information for the facility to the wrong NRC address. In the event a violation is found to have occurred, it is the Company's position that this will not have a material adverse effect on the Company, the Project Property, the Company's ability to perform under the Bond Documents or the License Application.

2

LEA COUNTY, NEW MEXICO,
as Issuer,

BANK OF ALBUQUERQUE, N.A.,
a national banking association,
as Depository

and

NEF SERIES 2004, LLC,
a Delaware limited liability company,
as Purchaser

INDENTURE

Dated January 22, 2004

Securing

\$1,800,000,000
Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

This instrument constitutes a security agreement with respect to certain personal property under the laws of the State of New Mexico.

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THIS INDENTURE is made this 22nd day of January, 2004, among LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico acting through its Board of County Commissioners (together with its successors and assigns, the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees of the Bond (defined below), the "Purchaser"), and BANK OF ALBUQUERQUE, N.A., a national banking association (together with its successors and assigns, the "Depository").

ARTICLE I - RECITALS

Section 101. The Act. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 (the "Act"), the Issuer is authorized to acquire, construct and equip certain industrial or commercial projects and to issue its industrial revenue bonds to finance such projects and certain related costs. Such bonds are payable solely out of revenue of the leasing of such projects. Such bonds may be further secured by an assignment of the Issuer's interest in the lease agreement respecting the project to be acquired, constructed and equipped. Under the Act, a project may include land, buildings, machinery, equipment, furnishings and other property deemed necessary in connection with such project.

Section 102. Government Proceedings. Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (together with its successors and assigns, the "Company"), has presented to the Issuer a proposal ("Project Plan") relating to the issuance of industrial revenue bonds and the acquisition, construction and installation by the Company of a uranium enrichment facility to be located within Lea County and not within the boundaries of any incorporated municipality in the County. Following consideration of the Company's proposal, the Board of County Commissioners (the "Board") on December 16, 2003 adopted Ordinance No. 58 (the "Bond Ordinance"), authorizing, among other matters, (i) the issuance of the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond") in an aggregate principal amount not to exceed \$1,800,000,000, and (ii) the execution and delivery of this Indenture.

Section 103. The Lease. The Issuer has entered into a Lease and Purchase Agreement dated the date of this Indenture (together with any and all amendments and supplements, the "Lease") with the Company, under which the Issuer has leased the Project Property (as defined in the Lease) to the Company and the Company has agreed to make rental payments in amounts sufficient to pay the principal of, interest on and redemption price of the Bond when due. For the purpose of providing security for the payment of the principal of, interest on and redemption price of the Bond, the Issuer wishes to assign to the Purchaser certain of its interests in the Lease, but reserving the Unassigned Rights.

Section 104. The Indenture; Collateral Pledge. The Bond is to be issued under this Indenture, which constitutes a security agreement and a collateral pledge of the Lease to the Purchaser.

Section 105. Conditions Precedent Performed. The Issuer is unaware of any act, condition or thing required on the part of the Issuer by the constitution and laws of the State to happen, exist or be performed precedent to and for the execution and delivery of this Indenture

and the issuance of the Bond except such as do exist and have happened and have been performed.

ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 201. Meanings of Words and Terms. All words and terms defined in the Lease have the same meanings when used in this Indenture. In addition to the definitions in the Recitals, Section 101 hereof, the capitalized words and terms used in this Indenture shall have the following meanings:

"Acquisition Account" has the meaning assigned in Section 601.

"Authorized Company Representative" means any one of the persons at the time designated to act on behalf of the Company in a certificate furnished to the Issuer and the Depository containing the specimen signatures of such persons and signed on behalf of the Company by an officer of the Company.

"Bond" means the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004.

"Bond Documents" means this Indenture, the Lease and the Bond Purchase Agreement.

"Bond Ordinance" has the meaning assigned in Section 102 hereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated the date of this Indenture, among the Purchaser, the Issuer and the Company.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions in the State are authorized or required to close.

"Closing Date" means the date of issuance of the Bond.

"Company" has the meaning assigned in Section 102 hereof.

"Completion Date" has the meaning assigned in Section 4.1(c) of the Lease.

"Default" has the meaning assigned in Section 801 hereof.

"Depository" has the meaning assigned in the first paragraph of this Indenture.

"Event of Default" has the meaning assigned in Section 8.1 of the Lease.

"Indenture" means this Indenture, together with any and all amendments and supplements.

"Interest Payment Date" means the Maturity Date and each anniversary of the Closing Date until the Maturity Date.

"Issuer" has the meaning assigned in the first paragraph of this Indenture.

"Lease" has the meaning assigned in Section 103 hereof.

"Maturity Date" means the thirtieth anniversary of the Closing Date, in 2034.

"Parties" means the Issuer, the Company, the Purchaser and the Depository.

"Party" means any one of the Parties.

"Payment of the Bond" means payment in full of the principal of and interest on the Bond in accordance with its terms and the provisions of this Indenture and payment of all fees and expenses of the Issuer and the Depository payable by the Company under this Indenture, the Lease and the Bond Purchase Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision.

"Purchaser" means NEF Series 2004, LLC, a Delaware limited liability company, together with its successors and assigns, and permitted transferees of the Bond.

"Related Costs" means expenditures incurred by or to be incurred by the Company with respect to the issuance of the Bond and to the acquisition, construction and installation of the Project Property in accordance with the Project Plan.

"Revenues" means Rent and all other amounts to be received by the Issuer or the Depository in respect of the Project, including all amounts and investments in the funds and accounts created hereunder and all income and profits thereon.

Section 202. Rules and Construction.

(a) All references in this Indenture to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Indenture unless some other reference is established.

(b) Any inconsistency between the provisions of the Lease and the provisions of this Indenture will be resolved in favor of the provisions of this Indenture.

Section 203. Bond Not General Obligation of Issuer. Neither the faith and credit nor the taxing power of the State or any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The Bond will be payable by the Issuer solely out of the Revenues (but excluding Additional Payments), proceeds and receipts and other security pledged hereby. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness or general obligation of the Issuer within the meaning of any State constitutional provision or statutory limitation. The Bond will never constitute or give rise to a pecuniary liability of the Issuer or be a charge against its general

credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE III - GRANT

Section 301. Pledge. In consideration of the purchase of the Bond by the Purchaser, and in order to secure the payment of the principal of, interest on and redemption price of the Bond, and in order to secure the performance by the Issuer of its obligations under this Indenture and the Bond, the Issuer pledges and assigns to the Purchaser and grants a security interest to the Purchaser in (i) all the Issuer's right, title and interest in and to the Lease and any other lease, sublease, license, easement, right-of-way or other grant of a possessory or use interest in the Project Property, to the extent the Issuer has any interest therein, including its rights to the Revenues, but reserving the Unassigned Rights under the Lease; and (ii) the moneys and investments in the Acquisition Account.

Section 302. Subordination. The Purchaser agrees to subordinate its rights as pledgee, assignee and secured party as provided in Section 301 hereof to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably request to evidence such subordination.

Section 303. Release. If the principal of and interest on the Bond are paid in full to the Purchaser, all obligations of the Issuer as to the Bond under this Indenture will terminate, and the Purchaser will cancel and discharge the lien of this Indenture on the Project Property, and execute and deliver to the Issuer and the Company certificates of the Purchaser that all principal and interest due on the Bond have been paid. The County Clerk or a Deputy County Clerk of the Issuer is authorized to accept such a certificate of the Purchaser as evidence of the satisfaction of this Indenture.

ARTICLE IV - AUTHORIZATION, FORM, EXECUTION AND DELIVERY OF BOND

Section 401. Authorization; Authorized Amount of Bond. The Bond is hereby authorized to be issued under and secured by this Indenture. The Bond will be issued as a single fully registered bond without coupons, in a principal amount not to exceed \$1,800,000,000. The Bond will be numbered R-1. No bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of the Bond that may be issued under this Indenture is expressly limited to \$1,800,000,000. No additional bonds may be issued. The Bond may be transferred only in accordance with its terms.

Section 402. Form of Bond. The Bond will be in substantially the form of Exhibit A attached hereto, and by this reference, made a part hereof. The Bond will be dated the date of its issue and delivery to the Purchaser, and amounts advanced with respect to the Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on the Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months, and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to the Bond shall be subject to such terms and conditions as set forth in the Bond Purchase Agreement and this Indenture. Interest on principal amounts outstanding under the Bond shall be payable on each Interest Payment Date. The entire principal amount of the Bond shall be payable in one payment at maturity on the Maturity Date.

Section 403. Execution and Delivery. The Bond will be signed by the Chairman or Vice Chairman of the Board of County Commissioners and the County Clerk or a Deputy County Clerk of the Issuer and delivered to the Purchaser on the date of the execution and delivery of this Indenture. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond and will pay the purchase price of the Bond to the Depository on account of the Issuer as set forth in Sections 404 and 601 hereof. Prior to delivery by the Issuer to the Purchaser of the Bond, the following will be delivered to the Purchaser:

- a. a certified copy of the Bond Ordinance authorizing the issuance of the Bond and the execution, delivery and performance of this Indenture and the Lease; and
- b. original executed counterparts of this Indenture, the Lease and the Bond Purchase Agreement.

Section 404. Advances. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond upon the execution and delivery of this Indenture and will pay the purchase price of the Bond in an amount up to the maximum principal amount of \$1,800,000,000 at the time of delivery of the Bond or based on advances requested by notice of the Company to the Purchaser and Depository, as set forth in Section 2 of the Bond Purchase Agreement. Promptly upon receipt of notice from the Company requesting an advance, the Purchaser will, so long as no Default has occurred and is continuing, pay the amount of the advance requested in such notice to the Depository for deposit in the Acquisition Account; provided that the aggregate amount of such advances will not exceed \$1,800,000,000. The records of the Depository will be conclusive as to the aggregate amount of advances requested and made, absent manifest error. The Purchaser is authorized to endorse on the schedule attached to the Bond the date and amount of each such advance and each principal payment on and redemption in part of the Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of any of the Parties on or with respect to the Bond.

Section 405. Application of Payments. Payments received by the Purchaser with respect to the redemption of all or any portion of the Bond will be applied first to the principal amount to be redeemed and then to accrued interest, if any, on such principal amount. All other payments received by the Purchaser with respect to the Bond will be applied first to accrued interest on and then to the unpaid principal of the Bond. If such payments exceed accrued interest on and the unpaid principal of the Bond, the Purchaser will pay such excess to the Company.

Section 406. Bond Registration. The Company will maintain a registration book showing the name and address of the holder of the Bond. Upon the Company's receipt of notice of the transfer of the Bond in accordance with its terms, together with other required documentation, the Company will cause the registration book to reflect the name and address of the transferee, unless a trustee for bondholders is appointed as provided in this Indenture, in which event such trustee shall maintain such registration book.

ARTICLE V - REDEMPTION

If the Company gives notice to the Issuer, the Depository and the Purchaser as provided in Article IX of the Lease that the Bond will be redeemed in whole or in part, and the Company pays principal of and accrued interest, if any, on all or such portion of the Bond, then all or such portion of the Bond shall be deemed to have been redeemed by the Issuer on the date the Company pays the redemption price in an amount equal to the principal amount to be redeemed plus accrued interest, if any, on such principal amount to the redemption date. The Bond shall be subject to mandatory redemption in whole if (i) a Default has occurred and is continuing and the Purchaser declares all unpaid principal of and interest on the Bond immediately due and payable as provided in Section 802 hereof or (ii) the Company notifies the Issuer, the Purchaser and the Depository that the NRC License will not be issued, whereupon any and all unpaid principal of and interest on the Bond shall be immediately due and payable without further notice and the Lease shall terminate subject to the provisions of the Lease with respect to early termination.

ARTICLE VI - THE ACQUISITION ACCOUNT

Section 601. Creation; Deposits. A special account is hereby created with the Depository and designated "Lea County, New Mexico IRB (National Enrichment Facility Project) Series 2004 Acquisition Account" (the "Acquisition Account"). Any moneys received by the Depository on account of any advances of principal under Section 404 will be deposited in the Acquisition Account. The moneys in the Acquisition Account will be held by the Depository and will, subject to the provisions of Sections 605 and 606, be applied to the payment of Related Costs and, pending such application, will be subject to a lien in favor of the Purchaser.

Section 602. Disbursements. The Depository will make payments of Related Costs from the Acquisition Account, but only upon receipt of a requisition and certificate in the form of Exhibit B attached hereto signed by an Authorized Company Representative, stating to whom the payment is to be made, the general purpose for which the obligation to be paid was incurred, and that:

(a) obligations in the stated amounts were incurred for Related Costs and are due and payable (or, if the Company is indicated as the payee, were duly paid by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(b) to the best knowledge of such Authorized Company Representative, there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such Persons to receive payment of, the respective amounts stated in such requisition that has not been released or will not be released simultaneously with the payment of such obligation; and

(c) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of such Authorized Company Representative, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project, and (iii) to the best knowledge of such Authorized Company Representative, either such materials or supplies are

not subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of the requisition.

Section 603. Depository May Rely on Requisitions. All requisitions and certificates received by the Depository as conditions of payment from the Acquisition Account may be conclusively relied upon by the Depository and will be retained by the Depository until the Maturity Date, subject at all reasonable times to examination by the Issuer and other Parties and their respective agents and representatives.

Section 604. Status Reports. Within 30 days after each December 31 occurring after the issuance of the Bond and prior to the Completion Date, and within 30 days after the date of disbursement of all remaining monies in the Acquisition Account, if such disbursement occurs after the Completion Date, the Depository will prepare and send to the Company a written report describing any and all moneys and investments on deposit in the Acquisition Account as of such December 31 (if applicable), and all deposits into and disbursements from the Acquisition Account, if any, during the twelve-month period ending on such December 31 or on the date of such final disbursement, as applicable. The Depository will provide copies of all such reports to the Issuer upon the Issuer's written request.

Section 605. Completion Date. Upon receipt of a certificate from the Company, in the form of Exhibit C attached hereto, signed by an Authorized Company Representative, establishing the Completion Date, the Depository will, to the extent moneys are available therefor, set aside the moneys necessary for the payment of the Related Costs incurred by the Company but not then due or payable as set forth in such certificate and then will transfer any moneys remaining in the Acquisition Account to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys). Notwithstanding anything to the contrary in this Section 605, all moneys, if any, in the Acquisition Account on the Completion Date shall be paid to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys).

Section 606. Payment on Acceleration. If the Purchaser declares the unpaid principal of and accrued interest on the Bond to be immediately due and payable pursuant to Section 802, the Depository will promptly pay all moneys then held in the Acquisition Account to the Purchaser and the Purchaser shall apply such moneys to the unpaid principal of and accrued interest on the Bond.

Section 607. Investments. An Authorized Company Representative will direct the Depository in writing to invest and reinvest moneys in the Acquisition Account in short-term interest-bearing securities or funds or other investments which are at the time authorized under the Act, including but not limited to money market funds maintained by the Depository. Such investments will be deemed at all times to be a part of the Acquisition Account. Any interest accruing on any such investment and any profit realized from such investment will be credited to the Acquisition Account. Any loss resulting from any such investment will be charged to the Acquisition Account. The Depository will use all reasonable efforts to sell at the best price obtainable or present for redemption any such investment when necessary in order to provide cash to meet any payment or transfer from the Acquisition Account. Neither the Depository nor

the Issuer will be liable or responsible for any loss resulting from any such investment or for the early termination thereof if such early termination is required for compliance with the terms of this Indenture. The Depository may make any such investment through its own or its affiliated bond or investment department, unless otherwise directed in writing by an Authorized Company Representative.

ARTICLE VII - PARTICULAR COVENANTS AND PROVISIONS

Section 701. Extent of Covenants; Disclaimer of Liability. It is expressly made a condition of this Indenture that any covenants, stipulations, obligations, representations or agreements contained herein or contained in the Bond do not and will never give rise to a personal or pecuniary liability or be a charge against the general credit or taxing powers of the Issuer, and in the event of a breach of any such covenant, stipulation, obligation, representation or agreement, no personal or pecuniary liability or charge payable by the Issuer directly or indirectly from the revenues of the Issuer other than the Revenues (but excluding Additional Payments) will arise therefrom. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THE BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THE BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE. THE BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS. NONE OF THE PROVISIONS OF THIS INDENTURE SHALL REQUIRE THE ISSUER TO EXPEND OR RISK ITS OWN FUNDS OR TO OTHERWISE INCUR FINANCIAL LIABILITY IN THE PERFORMANCE OF ANY OF ITS DUTIES OR IN THE EXERCISE OF ANY OF ITS RIGHTS OR POWERS HEREUNDER UNLESS IT SHALL HAVE FIRST BEEN ADEQUATELY INDEMNIFIED TO ITS SATISFACTION AGAINST THE COST, EXPENSE AND LIABILITY WHICH MAY BE INCURRED THEREBY.

Section 702. Performance; Authority. The Issuer covenants that it will faithfully perform all covenants and agreements of the Issuer contained in this Indenture and in the Bond. The Issuer represents that it is duly authorized under the constitution and laws of the State of New Mexico, including the Act, to issue the Bond, to execute and deliver this Indenture, and to pledge the Revenues (but excluding amounts described in Subsection 5.3(b)(ii) of the Lease and any amount for indemnification of the Issuer) described in this Indenture, and that it has taken all actions required on its part for the issuance of the Bond, and for the execution and delivery of this Indenture, the Bond Purchase Agreement and the Lease.

Section 703. Obligations Under the Lease. The Issuer: (i) will perform all of its obligations under the Lease, (ii) will not execute or agree to a change, amendment or modification of or supplement to the Lease except by a supplement or an amendment duly executed by the Company with the written approval of the Purchaser, (iii) will not agree to any abatement, reduction or diminution of the Basic Rent without the approval of the Purchaser, and (iv) will not interfere with or otherwise hinder the Purchaser's efforts to exhaust or enforce all legal remedies against the Company for payment of amounts owed under the Lease. The parties

acknowledge that except for Issuer's remedies under Sections 8.3 and 8.4 of the Lease, the Issuer shall not enforce the Lease unless specifically authorized in writing by the Purchaser. However, any actions taken by the Issuer to enforce the Lease shall be at the expense of the Company.

ARTICLE VIII - DEFAULT AND REMEDIES

Section 801. Defaults. Each of the following events is a "Default":

(a) failure to pay any installment of principal of, interest on or redemption price of the Bond when due and such failure continues for a period of five Business Days;

(b) an Event of Default under the Lease occurs and is continuing; or

(c) the Company fails to perform any covenant contained in this Indenture or the other Bond Documents, other than as specified in subsections (a) and (b) above, and such failure is not cured within 30 Business Days after receipt of notice of such failure from any other Party, or, if such failure cannot reasonably be remedied within 30 Business Days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion.

Section 802. Acceleration. If a Default has occurred and is continuing, the Purchaser may by notice to the other Parties declare the then unpaid principal of and all accrued interest on the Bond to be immediately due and payable. Upon such declaration the same will be immediately due and payable by the Company; provided, however, that the Purchaser, by written notice to the other Parties, may annul such declaration and void its effect and waive any such default if all reasonable charges and expenses of the Issuer and the Depository and their agents and counsel shall have been paid or provided for.

Section 803. Issuer and Depository Not Responsible. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. Except as otherwise provided in the Lease, all rights and remedies arising from or related to any Default are the rights and remedies of the Purchaser; provided that, upon request of the Purchaser, the Issuer will cooperate with the Purchaser in the lawful enforcement of its rights and remedies under the Bond Documents upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket cost, expense (including any counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation, subject to the provisions concerning the appointment of a trustee set forth in Article X.

ARTICLE IX - THE DEPOSITORY

Section 901. Acceptance of Duties. The Depository accepts the duties imposed on it by this Indenture, but only on the following express terms and conditions:

(a) The Depository undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations will be read into this Indenture against the Depository. Unless previously terminated by the Company, the Depository's duties hereunder shall continue, subject to the provisions of Subsection 904(d), until

the occurrence of the Completion Date and the disbursement of all moneys remaining on deposit in the Acquisition Account as provided in Section 605.

(b) In the absence of gross negligence or willful misconduct on its part, the Depository may conclusively rely on certificates or notices furnished to the Depository and conforming on their faces to the requirements of this Indenture or the Lease, as the case may be; but if any such certificates or notices are specifically required to be furnished to the Depository under this Indenture or the Lease, the Depository will examine the same to determine whether they conform on their face to the requirements of this Indenture or the Lease, as the case may be.

(c) No provision of this Indenture will be construed to relieve the Depository from liability for its own gross negligence or willful misconduct.

(d) The Depository may consult with counsel and other professionals and the advice of such counsel and other professionals shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Depository hereunder in good faith and in reliance thereon.

(e) The Depository shall be under no obligation to take any action or exercise any right or power under this Indenture unless the Purchaser shall first have provided to the Depository, its directors, officers, agents and employees, security or indemnity satisfactory to the Depository against the reasonable costs (including without limitation reasonable fees of attorneys), expenses and liabilities that might be incurred by the Depository in connection therewith.

Section 902. Compensation. The Company will pay to the Depository its reasonable fees and charges and all of its reasonable expenses (including reasonable counsel fees and expenses) as Additional Payments in accordance with the Lease; provided, however, that such fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser.

Section 903. Qualification. The Depository must be an association or a corporation organized and doing business under the laws of the United States of America or of any state, be granted trust powers under such laws and be subject to supervision or examination by federal or state banking authorities. If at any time the Depository ceases to be eligible in accordance with the provisions of this Section 903, it will resign immediately in the manner and with the effect specified in Section 904.

Section 904. Resignation and Removal.

(a) No resignation or removal of the Depository and no appointment of a successor Depository will become effective until the acceptance of appointment by the successor Depository under Section 905. If a successor Depository does not take office within 90 days after the retiring Depository resigns or is removed, the retiring Depository or the holder of the Bond may petition any court of competent jurisdiction for the appointment of a successor Depository.

(b) The Depository may resign at any time by notice to the other Parties. If an instrument of acceptance by a successor Depository has not been delivered to the retiring Depository within 60 days after the giving of such notice of resignation, the retiring Depository may petition any court of competent jurisdiction for the appointment of a successor Depository.

(c) The Depository may be removed at any time by the Company or the Purchaser upon notice to the other Parties.

(d) The Depository will be automatically removed on the occurrence of the Completion Date and the application of all moneys on deposit in the Acquisition Account as provided in Section 605. No successor Depository shall thereafter be appointed and each reference to the Depository in this Indenture and the Lease will thereafter be ineffective, except that the Depository will continue to have the obligation to (1) retain records as provided in Section 603 until the Maturity Date, and (2) if applicable, prepare and send a final report to the Company as provided in Section 604.

(e) If the Depository resigns or is removed (except as provided in subsection (d) of this Section 904), the Company will promptly appoint a successor Depository and give written notice of such appointment to the Issuer, the Purchaser and the retiring or removed Depository.

Section 905. Successor Depository.

(a) Every successor Depository appointed under this Indenture will execute, acknowledge and deliver to its predecessor and the other Parties an instrument accepting such appointment, and thereupon such successor Depository, without any further act, will become fully vested with all the rights, and subject to all the obligations, of its predecessor; but such predecessor will, nevertheless, on the request of its successor, the Issuer, the Company or the Purchaser execute and deliver an instrument or instruments transferring to such successor Depository all the rights of such predecessor under this Indenture. Every predecessor will deliver all property and moneys held by it under this Indenture to its successor. The Issuer and the Purchaser will execute, acknowledge and deliver any instrument reasonably required by any successor Depository to more fully and certainly vest in such Depository the rights vested in the predecessor Depository by this Indenture.

(b) Notwithstanding any of the foregoing provisions of this Article, any Person qualified to act as Depository under this Indenture with or into which the Person acting as Depository may be merged or consolidated, or to which the corporate trust assets and corporate trust business of such Person may be sold, will automatically become the successor Depository.

ARTICLE X - SUPPLEMENTS AND AMENDMENTS TO INDENTURE

This Indenture may be supplemented or amended only by one or more instruments executed by the Issuer, the Purchaser and the Depository and consented to in writing by the Company. The Depository will execute any such proposed supplement or amendment on the request of the Company or the Purchaser unless the Depository determines in good faith that its rights or obligations under this Indenture would be materially adversely affected by such supplement or amendment. If the rights or obligations of the Depository would be materially and adversely affected by such supplement or amendment, as determined in good faith by the

Depository, the Depository will have no liability for its refusal to enter into such supplement or amendment. Notwithstanding the generality of the foregoing, if the Purchaser gives notice to the Issuer, the Depository and the Company of the Purchaser's desire to have a trustee appointed for the benefit of the Purchaser, the Parties will cooperate in amending this Indenture to facilitate such appointment. Nothing herein is intended to require the Issuer to act in a fiduciary capacity. If the Purchaser transfers the Bond to a holder other than the parent or an affiliate of the Company or the Purchaser, and if circumstances arise which would so require, the Issuer or the Purchaser has the right to request that a trustee be appointed by and at the expense of the Company and the Parties will cooperate in amending this Indenture to facilitate the making of such appointment and providing such other terms and provisions hereof as shall be reasonably requested by the Issuer or the Purchaser in regard to such transaction.

ARTICLE XI - MISCELLANEOUS PROVISIONS

Section 1101. Notices. All notices and reports required under this Indenture shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer: Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,
Attn.: Dennis Holmberg, County Manager
Phone: (505) 396-8601
Fax: (505) 396-2093

with a copy to: Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W.
Suite 1000
Albuquerque, New Mexico 87102
Attention: Duane Brown and Peter Franklin

If to the Company: Louisiana Energy Services, L.P.
One Sun Plaza
100 Sun Lane NE, Suite 204
Albuquerque, NM 87109
Attention: E. James Ferland, President and CEO
Phone: (505) 944-0194
Fax: (505) 944-0198

with a copy to:

Rodey Law Firm
201 Third St., Suite 2200
Albuquerque, NM 87102
Attention: Donald B. Monnheimer
Phone: (505) 766-7556
Fax: (505) 768-7395

If to the Purchaser:

NEF Series 2004, LLC
One Sun Plaza
100 Sun Lane NE, Suite 204
Albuquerque, NM 87109
Attention: E. James Ferland, President and CEO
Phone: (505) 944-0194
Fax: (505) 944-0198

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 1102. Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of the Lease and Section 1112 of this Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default.

Section 1103. Beneficiaries. Nothing expressed or implied in any of the Bond Documents is intended or is to be construed to confer upon any Person other than the Parties (and in the case of Section 6.3 of the Lease, the Indemnified Parties, and in the case of Section 6 of the Bond Purchase Agreement, the Indemnified Parties) any right, remedy or claim, legal or equitable.

Section 1104. Severability. In the event any provisions of this Indenture or the Bond shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Indenture or the Bond; provided, however, that if enforcement of this Indenture or the Bond absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then

this Indenture or the Bond shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 1105. Obligations of Issuer Not Obligations of Officials Individually. All obligations of the Issuer under the Bond Documents and the Bond will be deemed to be obligations of the Issuer to the full extent permitted by the constitution and laws of the State. No obligation under any of the Bond Documents or the Bond will be deemed to be an obligation of any present or future officer (including, without limitation, any member of the Board of County Commissioners) or employee of the Issuer in his or her individual capacity, and no officer of the Issuer who executes the Bond will be personally liable on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 1106. Payments Due on Days That Are Not Business Days. If the date for any payment called for under any of the Bond Documents or the Bond is not a Business Day, then such payment will be made on the next Business Day and no interest on such payment will accrue for the period from such scheduled payment date to and including such next Business Day.

Section 1107. Execution in Counterparts. This Indenture may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute this Indenture by executing any such counterpart of this Indenture.

Section 1108. Amendments. This Indenture may be amended only by one or more instruments executed by the Issuer, the Depository and the Purchaser, and consented to in writing by the Company. The Issuer shall amend this Indenture as requested by the Company or a lender or other entity providing all or any part of the Project Financing (as defined in the Lease), provided any such amendment is not inconsistent with the Bond Ordinance.

Section 1109. Applicable Law. The validity, construction and effect of each of the Bond Documents will be governed by the law of the State applicable to agreements made and to be performed in the State, without regard or effect given to conflict of laws rules that would require the application of the laws of any other jurisdiction.

Section 1110. Survival. The provisions of Sections 901 and 902 of this Indenture shall survive payment of the Bond and the expiration or earlier termination of this Indenture.

Section 1111. Non-Merger. The provisions of this Indenture shall survive the conveyance of the Project Property to the Issuer, the reconveyance of the Project Property to the Company and all other performances hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 1112. Limitation of Liability of Issuer. No agreements or provisions contained in any Bond Document or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project Property or any property of the Company financed, directly or indirectly, out of Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body or constitute a charge against the Issuer's general credit, or obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or

the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture. No failure of the Issuer to comply with any terms, covenants or agreements in any Bond Document or in any document executed by the Issuer in connection with the Bond will subject the Issuer, its officers and members of its governing body to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the Basic Rent.

Without limiting the requirement to perform its duties or exercise its rights and powers under the Bond Documents upon receipt of appropriate indemnity or payment, none of the provisions of any Bond Document will require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under any Bond Document. Nothing in any Bond Document will preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement in the Bond Documents, provided, that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds or property available under the Lease or the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture.

Section 1113. Title; Headings. The title and headings of the articles, sections and subdivisions of this Indenture have been used for convenience only and will not modify or restrict any of the terms or provisions of this Indenture.

Section 1114. Binding Effect. This Indenture shall inure to the benefit of and shall be binding upon the Issuer, the Purchaser, the Depository, and their respective successors and assigns.

Section 1115. Recording. The Lease, this Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. The Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of this Indenture. The recording of any document under this Section 1115, and the filing of any financing statement (including amendments, continuation statements and terminations) pertaining to the Lease, this Indenture or the Bond, if deemed necessary, unless waived by the Purchaser, shall be the responsibility of the Company. The Purchaser may record or file any document if the Company refuses or fails to do so.

Section 1116. No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by any party of any covenant, agreement or undertaking, the non-defaulting parties may nevertheless accept from the party in breach any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 1117. No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Indenture, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to

liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

IN WITNESS WHEREOF, the Parties have executed this Indenture the date set forth above.

ISSUER:

**LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County
Commissioners**

By: 

Name: Harry Teague

Its: Chairman of the Board of County
Commissioners

PURCHASER:

NEF SERIES 2004, LLC

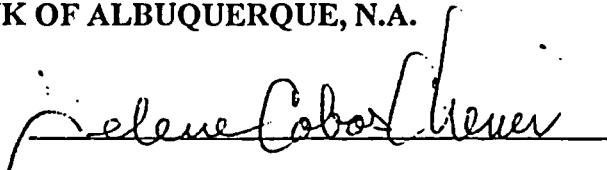
By: 

Name: E. James Ferland

Its: President and Chief Executive Officer

DEPOSITORY:

BANK OF ALBUQUERQUE, N.A.

By: 

Name: Helene Cobos-Chenier

Its: Vice President and Trust Officer

State of New Mexico)
County of SANTA FE) ss.

The foregoing instrument was acknowledged before me on January 22, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a governmental subdivision of the State of New Mexico.

Marlene Del Valle
Notary Public
My commission expires: May 18, 2004

State of New Mexico)
County of SANTA FE) ss.

The foregoing instrument was acknowledged before me on January 22, 2004, by E. James Ferland, as President and Chief Executive Officer of NEF Series 2004, LLC, a Delaware limited liability company.

Marlene Del Valle
Notary Public
My commission expires: May 18, 2004

State of New Mexico)
County of Bernalillo) ss.

This instrument was acknowledged before me on January 21, 2004, by Helene Cobos-Chenier, as Vice President and Trust Officer of Bank of Albuquerque, N.A.

Marsha Wicks
Notary Public
My commission expires: January 2, 2006

EXHIBIT A

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT
OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW AND
IS TRANSFERABLE ONLY UPON COMPLIANCE WITH THE INDENTURE
AND PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS
APPLICABLE TO THE TRANSFER AT THE TIME OF THE TRANSFER

No. R-1

Up to \$1,800,000,000

United States of America
State of New Mexico

Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

MATURITY DATE

January __, 2034

ISSUE DATE

January __, 2004

LEA COUNTY, NEW MEXICO, a governmental subdivision of the State of New Mexico, duly organized and existing under the constitution and laws of the State of New Mexico (the "Issuer"), for value received, promises to pay, solely from the source described below, to NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees, the "Purchaser"), on the Maturity Date, One Billion Eight Hundred Million Dollars (subject to prior optional or mandatory redemption as described below) or so much of such amount as has been advanced by the Purchaser and is outstanding and interest thereon as hereinafter provided. Amounts advanced with respect to this Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on this Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to this Bond shall be subject to the terms and conditions set forth in the Bond Purchase Agreement and the Indenture (as those instruments are identified below). Interest on principal amounts outstanding under this Bond shall be payable on each anniversary of the Issue Date commencing January __, 2005 until and including the Maturity Date (each an "Interest Payment Date"). The entire principal amount of this Bond shall be payable in one payment on the Maturity Date. Payment of the principal of and interest due on the Maturity Date will be made upon presentation and surrender of this Bond for cancellation at the principal offices of the Company (as defined below). This Bond is subject to prior redemption at the times and at the redemption prices specified in the Indenture.

This Bond was duly authorized and is issued under and pursuant to the constitution and laws of the State of New Mexico, particularly Chapter 4, Article 59 NMSA 1978, as amended (the "Act"), and under and pursuant to Ordinance No. 58, duly adopted by the Issuer. This Bond

has been issued by the Issuer in connection with an industrial revenue bond project pursuant to the Act as described below.

The principal of, interest on and redemption price of this Bond are payable by the Issuer solely from the proceeds of the Bond and certain revenues derived by the Issuer from the leasing and sale of a commercial project under and pursuant to a Lease and Purchase Agreement dated the Issue Date (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), which Lease pertains to the acquisition, construction and installation of a facility that will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry, to be located in Lea County, New Mexico and not within the boundaries of any incorporated municipality within Lea County (the "Project"), and which proceeds and revenues have been pledged and assigned by the Issuer to the Purchaser under an Indenture dated the Issue Date (together with any amendments and supplements, the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A. as depository (the "Depository").

Reference is made to the Indenture, the Lease, and the Bond Purchase Agreement (as defined in the Indenture) for the provisions, among others, with respect to the custody and application of the proceeds of the sale of this Bond, the collection and disposition of income and other revenues, restrictions on transfer of this Bond, a description of the revenues pledged and assigned to the payment of the principal of, interest on and redemption price of this Bond, the nature and extent of the security for this Bond, the terms and conditions under which this Bond is issued and amounts to be advanced with respect to this Bond by the Purchaser, and the rights, duties and obligations of the Issuer, the Company, the Purchaser and the Depository. By accepting this Bond, the holder accepts and undertakes to perform all of the obligations of the Purchaser.

This Bond is a special limited obligation of the Issuer payable by the Issuer solely from funds or property available under the Lease and the Indenture that have been pledged and assigned to the Purchaser to secure payment hereof.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW MEXICO OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THIS BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THIS BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE OF NEW MEXICO. THIS BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF NEW MEXICO OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS.

This Bond may be called for redemption, as provided in the Indenture, at the option of the Company in whole or in part on any date selected by the Company, at a redemption price equal to the principal amount to be redeemed plus interest accrued on such principal amount to the redemption date.

If a Default (as defined in the Indenture) occurs, the Bond shall be subject to mandatory redemption if the Purchaser declares all unpaid principal of and interest on the Bond to be immediately due and payable as provided in the Indenture. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. The Bond also shall be subject to mandatory redemption upon notification by the Company that the NRC License (as defined in the Lease) will not be issued in connection with the Project.

The Purchaser is authorized to endorse on Schedule A attached hereto and made a part of this Bond, the date and amount of each advance by the Purchaser pursuant to Section 404 of the Indenture and each principal payment on and redemption in part of this Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of the Issuer, the Company or the Purchaser.

This Bond may be transferred in whole but not in part.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond and the execution of the Indenture have happened, exist and have been performed as so required.

The validity, construction and performance of this Bond are governed by the law of New Mexico applicable to agreements made and to be performed in New Mexico.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by its Chairman of the Board of County Commissioners or Vice Chairman of the Board of County Commissioners and its seal to be affixed hereto and attested by its County Clerk or a Deputy County Clerk.

LEA COUNTY, NEW MEXICO

By: _____
Its: Chairman of the Board of County
Commissioners

(S E A L)

Attest:

Its: County Clerk

SCHEDULE A TO BOND

DATE	AMOUNT OF ADVANCE	AMOUNT OF PRINCIPAL PAYMENT OF REDEMPTION	RESULTING PRINCIPAL AMOUNT	NOTATION MADE BY

EXHIBIT B

REQUISITION AND CERTIFICATE

To: Bank of Albuquerque, N.A., as Depository

The undersigned, pursuant to the Indenture dated January 22, 2004 (the "Indenture"), among Lea County, New Mexico (the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser, and Bank of Albuquerque, N.A., as Depository, requests on behalf of Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), the disbursement of \$ _____ from the Acquisition Account (as defined the Indenture) to pay the following costs and expenses related to acquisition, construction or installation of the Project Property (as defined in the Indenture) or to the issuance of the Bond (as defined in the Indenture):

<u>Amount</u>	<u>General Classification of Expenditure</u>	<u>Payee</u>
\$		

Total: \$

The undersigned certifies that:

(i) obligations in the stated amounts were incurred for Related Costs (as defined in the Indenture) and are due and payable (or, if the Company is indicated as the payee, were duly paid in advance by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(ii) to the best knowledge of the undersigned there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such payee to receive payment of, the respective amounts stated in such requisition which has not been released or will not be released simultaneously with the payment of such obligation; and

(iii) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of the undersigned, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project (as defined in the Indenture) as part of the Project, and (iii) to the best knowledge of the undersigned, either such materials or supplies are not

subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of this requisition.

DATED: _____.

Name: _____
Title: _____
Authorized Company Representative

EXHIBIT C

COMPLETION CERTIFICATE

The undersigned Authorized Company Representative, pursuant to Section 605 of the Indenture dated January 22, 2004, among Lea County, New Mexico (the "Issuer"), Bank of Albuquerque, N.A., as Depository, and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser (the "Indenture"), states that, except for specified amounts remaining in the Acquisition Account for any Related Costs shown below incurred by the Company but not now due and payable, the Project is complete and all costs of labor, services, materials and supplies in connection with the Project Property have been paid or provisions have been made for their payment. After the transfer of remaining moneys in the Indenture, the Company will have sole responsibility for the payment of any Related Cost in excess of the amount specified to be retained in the Acquisition Account. Capitalized terms used in this certificate shall have the meanings assigned thereto in the Indenture.

Related Costs Not Yet Due and Payable

<u>Amount</u>	<u>For</u>
\$ _____	_____

\$ _____	_____

\$ _____	_____

DATED: _____.

Name: _____
Title: _____
Authorized Company Representative

3

BOND PURCHASE AGREEMENT

NEF SERIES 2004, LLC, a Delaware limited liability company (together with its successors, assigns and transferees, the "Purchaser"), LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), and LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company") agree:

Section 1. Recitals. The Issuer, the Purchaser and Bank of Albuquerque, N.A. a national banking association, as Depository (the "Depository"), have entered into an Indenture dated the Closing Date indicated below (the "Indenture"). Capitalized terms that are not otherwise defined herein shall have the meanings given to such terms as set forth in the Indenture and the Lease (as that term is defined in the Indenture). Pursuant to the Indenture, the Issuer will issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond"). Proceeds of the Bond will be used by the Company to acquire the Project Site or the right to use and occupy the Project Site and to construct and install the Improvements in connection with the establishment of a uranium enrichment facility. The term "Project" as used herein shall have the meaning set forth in the Lease.

Section 2. Purchase and Delivery. On the basis of the representations and covenants contained in this Bond Purchase Agreement (this "Bond Purchase Agreement") and subject to the terms and conditions contained in this Bond Purchase Agreement, the Indenture and the Lease, the Purchaser agrees to purchase the Bond from the Issuer and the Issuer agrees to sell the Bond to the Purchaser. As consideration for the sale of the Bond, the Purchaser agrees to pay the purchase price of the Bond in an amount up to the maximum principal amount of \$1,800,000,000 at the time of delivery thereof or based on advances of lesser amounts at the times and under the conditions specified in Section 404 of the Indenture. The Issuer will deliver the Bond to the Purchaser, on or before 5:00 p.m., Albuquerque Time, on January 22, 2004, or at such other time not later than five business days thereafter as the Purchaser and the Issuer may agree (the "Closing Date").

Section 3. Issuer Representations. The Issuer represents that, as of the date of this Bond Purchase Agreement:

(a) Each of the representations of the Issuer in the Lease and this Bond Purchase Agreement (collectively, the "Company Documents") is true and correct as if made on and as of the date of this Bond Purchase Agreement.

(b) Pursuant to Ordinance No. 58, duly adopted by the Board of County Commissioners of the Issuer on December 16, 2003 (the "Bond Ordinance"), the Issuer has duly authorized and approved (i) the execution and delivery by the Issuer of the Bond Documents and the performance by the Issuer of its obligations under the Bond Documents, and (ii) the issuance,

execution and delivery of the Bond. The Bond Ordinance is in full force and effect and has not been amended, modified, repealed or rescinded.

(c) The Issuer is not aware of any act, condition or thing required on the part of the Issuer by the Constitution and laws of the State to happen, exist or be performed precedent to and for the execution and delivery of this Bond Purchase Agreement and the issuance of the Bond, which has not happened, does not exist or has not been performed.

Section 4. Company Representations. The Company represents that, as of the date of this Bond Purchase Agreement:

(a) The Company is a limited partnership organized and validly existing under the laws of the State of Delaware, is registered to conduct business as a foreign limited partnership in the State, is in good standing under the laws of the State, and has or will obtain at the necessary time, all licenses and permits required to lease and operate the Project. Except as described in Schedule I attached to the Lease, the Company has not received any notice of an alleged violation and is not in violation of any zoning, land use, Environmental Law or other similar law or regulation applicable to the property subject to the Lease. The Company has full right, power and authority to approve, enter into, deliver and/or perform its obligations under the Bond Documents and to perform such other acts and things as are provided herein and therein for it to perform.

(b) The approval by the Company of the Bond Documents and the execution, delivery and performance of its obligations under the Company Documents, compliance by the Company with the provisions hereof and of any and all of the foregoing documents, the application by the Company of the proceeds of the sale of the Bond for the purposes described in the Indenture, and the consummation of the transactions contemplated herein do not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, the certificate of limited partnership and any amendments thereto or the limited partnership agreement and any amendments thereto or restatements thereof of the Company or any agreement, indenture, mortgage, lease or instrument to which the Company is a party or by which the Company or any of its property is or may be bound or any existing law or court or administrative regulation, decree or order which is applicable to the Company or any of its property, and do not and will not result in the creation or imposition of any lien of any nature upon any of the Project Property, except for Permitted Liens (as defined in the Lease).

(c) To the best of its knowledge, no "Default", "Event of Default" or event which, with notice or lapse of time or both, would constitute a "Default" or an "Event of Default" under the Bond Documents has occurred and is continuing.

(d) The Company has duly authorized all necessary action to be taken by it for (i) the issuance and delivery of the Bond by the Issuer upon the terms and conditions and for the uses set forth or described herein and in the Indenture; (ii) the approval of the Bond and the Bond Documents; and (iii) the execution, delivery or receipt of and the performance as applicable, of

its obligations under the Bond Documents and any and all such other agreements and documents as may be required to be executed, delivered or received by the Company in order to carry out, effectuate and consummate the transactions contemplated herein and therein.

(e) The Company will not take or omit to take any action which will in any way cause or result in the proceeds of the sale of the Bond being applied in a manner other than as provided in the Indenture and the Lease.

(f) Except as described in Schedule I attached to the Lease, there is no action, suit, proceeding at law or in equity before or by any court, public board or body pending or, to the best of the knowledge of the Company, threatened, against or affecting the Company or its property wherein an unfavorable decision, ruling or finding would have a material adverse effect on (i) the transactions contemplated in this Bond Purchase Agreement, (ii) the validity or enforceability in accordance with their respective terms of the Bond Documents, (iii) the financial condition of the Company or the operation by the Company of its property, or (iv) the legal existence of the Company or the titles of its officers to their respective offices.

(g) On or before the date of the sale and delivery of the Bond, the Company will approve or execute and deliver the Company Documents. When executed and delivered, this Bond Purchase Agreement and the Lease will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(h) All Licensing Approvals (as defined in the Lease) required to date in connection with the Project, if any, have been obtained, and all Licensing Approvals required for the construction, operation and decommissioning of the Project will be obtained in due course, and in time for the Company to satisfy or cause to be satisfied all construction and other performance obligations with respect thereto.

(i) All liens, encumbrances, covenants, conditions and restrictions, if any, affecting the Project including the liens created by the Lease and the Indenture, are Permitted Liens, and will not materially adversely affect the value of, or materially interfere with or materially impair the operation of, the property currently affected thereby for the purpose for which it was acquired or is held by the Company.

(j) Any certificate signed by an authorized officer of the Company delivered to the Issuer or to the Purchaser in connection with the issuance of the Bond will be deemed a representation and warranty by the Company to the Issuer and the Purchaser as to the statements made therein.

Section 5. Purchaser Representations. The Purchaser represents and acknowledges that, as of the date of this Bond Purchase Agreement:

(a) The Purchaser is a limited liability company, organized and validly existing under the laws of Delaware and in good standing under the laws of the State of Delaware, is related to or affiliated with the Company, and has duly authorized the execution, delivery and performance of this Bond Purchase Agreement.

(b) The Purchaser is purchasing the Bond for its own account for investment and with no present intention of distributing or reselling the Bond or any interest in the Bond other than possibly to an entity that is related to or affiliated with the Purchaser, but without prejudice, however, to its right at all times to sell or otherwise dispose of all or any part of the Bond in compliance with the Securities Act of 1933, as amended, the regulations promulgated thereunder and applicable state securities laws and regulations upon receipt of appropriate investor representations and in accordance with the applicable terms of the Indenture and the Bond.

(c) The Purchaser understands that the Bond is a special limited, and not a general, obligation of the Issuer, and is payable solely from the funds or property available under the Lease and the Indenture and pledged to the payment of the Bond. It understands that the Bond is not secured by any obligation or pledge of any monies received or to be received from taxation or from the State or any political subdivision or taxing district thereof (including, without implied limitation, the Issuer), and that the Bond will never represent or constitute a general obligation, debt or bonded indebtedness of the Issuer, the State, or any political subdivision thereof, and that no right will exist to have taxes levied by the Issuer, the State, or any political subdivision thereof, for the payment of principal of, premium, if any, and interest on the Bond. The Purchaser understands that the payment of the Bond depends upon the general credit of the Company, and upon the security granted in the Indenture for the Company's obligations under the Lease.

(d) The Purchaser has received copies of financial statements of the Company, has been afforded the opportunity to discuss the business, assets and financial position of the Company with the officers, employees and auditors of the Company, has had access to and has undertaken to collect and investigate for itself information the Purchaser considers material or potentially material to its investment in the Bond, and has received such information concerning the Company and its business, assets and financial position, and the Project (as defined in the Lease) as it deems necessary in making its decision to purchase the Bond.

(e) The Purchaser is duly and legally authorized to purchase the Bond, has such knowledge and experience in financial and business matters, including matters involving investments such as the Bond, that it is capable of evaluating the merits and risks of its purchase of the Bond, is aware of the intended use of proceeds of the Bond, and understands that interest on the Bond is not excludable from gross income for federal income tax purposes.

(f) The Purchaser understands that the Issuer, its officials, employees, counsel, agents and consultants have not undertaken to furnish any information with respect to the Company or to ascertain the accuracy of any information furnished to the Purchaser with respect to the Company, and the Purchaser has not requested or received any representations from the

Issuer with respect to any such information or its accuracy or completeness. The Purchaser waives any requirement of due diligence in investigation or inquiry on the part of the Issuer, its officials, employees, counsel, agents and consultants and all claims, actions or causes of action which the Purchaser may have from and after the date hereof against the Issuer, its officials, employees, counsel, agents and consultants growing out of any such action which any of the foregoing took, or could have taken, in connection with the authorization, execution, delivery, sale or resale of the Bond to or by the Purchaser or in connection with any statement or representation which induced the Purchaser to purchase the Bond.

(g) The Purchaser has received and reviewed copies in draft and final form of the Bond Documents and the Bond Ordinance.

(h) This Bond Purchase Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(i) The Purchaser has been informed by the Company and agrees that the Indenture has not been qualified under the Trust Indenture Act of 1939, and that the Bond (i) is not being registered or otherwise qualified for sale under (a) the Securities Act of 1933, as amended, or (b) the "Blue Sky" or securities laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange, (iii) will not carry a rating from any rating service and (iv) will not be readily marketable. The Purchaser has been informed by the Company and agrees that a legend will be placed on the Bond certificate or any other documents evidencing ownership of the Bond to the effect that it has not been registered under the Securities Act of 1933, as amended, or the applicable state "Blue Sky" or securities laws and that it may only be transferred, pledged or hypothecated in compliance with the terms of the Indenture and the Bond.

(j) The Purchaser acknowledges that its purchase of the Bond constitutes a transaction in a bond secured by the Indenture which is, among other things, a personal property security agreement, pursuant to which the Bond is offered and sold as a unit.

(k) The execution, delivery and performance of this Bond Purchase Agreement by the Purchaser will not constitute a default under any other agreement by which the Purchaser is bound.

Section 6. Indemnification.

(a) The Company agrees to indemnify, defend and hold harmless the Issuer and all officials, members of the Board of County Commissioners, officers, employees and agents of the Issuer and each person, if any, who has the power to direct or cause the direction of the management and policies of the Issuer (together with the Issuer, the "Indemnified Parties" and each singularly an "Indemnified Party") against any and all losses, claims, damages,

liabilities, joint or several, or any expenses related thereto whatsoever arising out of or in connection with or caused by any pledge, offering, sale or resale of the Bond in violation of any federal or state securities laws or by an untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact made to any person or caused by an omission or alleged omission of any material fact in connection with the Bond or the pledge, sale, resale or delivery thereof to the extent that such violation or untrue or misleading statement or omission or alleged or misleading statement or omission was made or caused by the Company, except to the extent such indemnity shall be violative of public policy.

(b) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matters described in Subsection 6(a) above and in respect of which indemnity is sought against the Company pursuant to Subsection 6(a) above, the Indemnified Party or Indemnified Parties seeking indemnity shall, within ten days of being notified of an action against it, notify the Company, in writing, and the Company shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Company and approved in writing by the Issuer (provided that such approval by the Issuer shall not be unreasonably withheld), the payment of the reasonable expenses of such counsel, and the right of the Issuer to participate in negotiations and to consent to settlement. If any Indemnified Party is advised in a written opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Company, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Company shall not have the right to assume or cause the assumption of the defense of such Indemnified Party, and the Company shall be responsible for the reasonable fees and expenses of counsel retained by such Indemnified Party, provided such counsel is approved in writing by the Company, in assuming its own defense. If the Company shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Company. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel with respect to any such claim or in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party or Indemnified Parties unless the employment of such counsel has been specifically authorized in writing by the Company. The Company shall not be liable for any settlement of any such action effected without the written consent of the Company, but if settled with the written consent of the Company, or if there is a final judgment for the plaintiff in any such action with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(c) The Purchaser agrees to indemnify and hold harmless the Indemnified Parties from and against any and all losses, claims, damages, liabilities or expenses related thereto arising out of or caused by any offering or resale of the Bond by the Purchaser in violation of any federal or state securities laws or by an untrue statement or misleading statement

or alleged untrue statement or alleged misleading statement of a material fact made to any person or caused by an omission or alleged omission of any material fact in connection with the Bond or the sale, resale or delivery thereof to the extent that such violation or untrue or misleading statement or omission or alleged or misleading statement or omission was made or caused by the Purchaser, except to the extent such indemnity shall be violative of public policy.

(d) In case any claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matter described in Subsection 6(c) above and in respect of which indemnity is sought against the Purchaser pursuant to Subsection 6(c) above, the Indemnified Party or Indemnified Parties seeking indemnity shall within ten days of being notified of an action against it, notify the Purchaser in writing, and the Purchaser shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Purchaser, reasonably satisfactory to the Issuer, the payment of all reasonable fees and expenses and the right to negotiate and consent to settlement. If any Indemnified Party is advised in an opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Purchaser, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Purchaser shall not have the right to assume the defense of such Indemnified Party, but shall be responsible for the reasonable fees and expenses of counsel retained by such Indemnified Party, provided such counsel is approved in writing by the Purchaser, in assuming its own defense. If the Purchaser shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after written notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Purchaser. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless the employment of such counsel has been specifically authorized in writing by the Purchaser. The Purchaser shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the Purchaser or if there is a final judgment for the plaintiff in any such action, with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Purchaser agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

Section 7. Conditions. The obligation of the Purchaser to purchase the Bond and the obligation of the Issuer to sell the Bond are subject to satisfaction of the following conditions precedent:

(a) The representations of the Issuer, the Company and the Purchaser in this Bond Purchase Agreement, the Lease and the Indenture, as applicable, will be true and correct on and as of the Closing Date as if made on and as of the Closing Date.

(b) As of the Closing Date, no Default (as defined in the Indenture) or Event of Default (as defined in the Lease) will have occurred and be continuing, and no event will have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute a Default or Event of Default.

(c) On or before the Closing Date, all actions required to be taken as of the Closing Date in connection with the Bond, the Bond Ordinance and the Bond Documents by the Issuer and the Company as of the Closing Date will have been taken, and the Issuer and the Company will each have performed and complied with all agreements, covenants and conditions required to be performed or complied with by the Bond Ordinance and the Bond Documents (to which the Issuer and the Company are parties) as of the Closing Date.

(d) The Indenture will have been duly executed and delivered by the Issuer, the Purchaser and the Depository. The Lease will have been duly executed by the Issuer and the Company. Each of the Bond Documents, the Bond Ordinance and all other official action of the Issuer relating to the Bond, the Project and the Bond Documents will be in full force and effect on the Closing Date and will not have been amended, modified or supplemented on or before the Closing Date.

(e) The Issuer, the Company and the Purchaser will have received the following, each dated the Closing Date:

(i) the approving opinion of Rodey Dickason, Sloan, Akin & Robb, P.A., Bond Counsel, substantially in the form of Exhibit A attached hereto;

(ii) the opinion of Rodey, Dickason, Sloan, Akin & Robb, P.A., special counsel to the Company and Purchaser, as to due organization, good standing and registration in New Mexico of the Company and the Purchaser, due authorization, execution, delivery and enforceability of the Bond Documents to which the Company and Purchaser are party, substantially in the form of Exhibit B attached hereto;

(iii) the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., as legal counsel to the Issuer, substantially in the form set forth in Exhibit C attached hereto;

(iv) RESERVED

(v) such other opinions of counsel that Purchaser may reasonably request in connection with the Project and the purchase of the Bond;

(vi) a certificate of the Issuer signed by a duly authorized officer of the Issuer to the effect set forth in subsections (a), (b), (c) and (d) of this Section 7;

(vii) a certificate of the Company signed by a duly authorized officer of the Company to the effect set forth in subsections (a), (b) and (c) of this Section 7;

(viii) a certificate of the Purchaser signed by a duly authorized officer of the Purchaser to the effect set forth in subsections (a) and (d) of this Section 7;

(ix) a certificate of the Depository signed by a duly authorized officer of the Depository, to the effect that (A) he or she is an authorized officer of the Depository; (B) the Indenture has been duly executed and delivered by the Depository; (C) the Depository has all necessary corporate powers required to execute and deliver, and to perform its obligations under, the Indenture; and (D) to the best of his or her knowledge, the execution and delivery by the Depository of the Indenture and the performance by the Depository of its obligations under the Indenture will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Depository is subject or by which the Depository is bound; and

(x) such additional legal opinions, certificates, proceedings, instruments and other documents as any Party or Bond Counsel may reasonably request.

If any conditions to the obligations of the Purchaser or the Issuer under this Bond Purchase Agreement are not satisfied and if the satisfaction of such conditions is not waived by the Purchaser or the Issuer, then, at the option of the Purchaser or the Issuer (as applicable), (A) the Closing Date will be postponed for such period, not to exceed seven days, as may be necessary for such conditions to be satisfied or (B) the obligations of the Purchaser and the Issuer under this Bond Purchase Agreement will terminate, and neither the Purchaser nor the Issuer will have any further obligations or liabilities under this Bond Purchase Agreement.

Section 8. Survival. All agreements, covenants and representations and all other statements of the Issuer, the Company and the Purchaser and their respective officers set forth in or made pursuant to this Bond Purchase Agreement will survive the Closing Date and the delivery of and payment for the Bond by the Purchaser.

Section 9. Bond Not General Obligation of Issuer. Neither the faith and credit nor the taxing power of the State or of any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The Bond will be payable by the Issuer solely out of the revenues, proceeds and receipts pledged by the Issuer under the Indenture. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness or general obligation of the Issuer within the meaning of any State constitutional provision or statutory limitation. The Bond will never constitute or give rise to a pecuniary liability of the Issuer or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

Section 10. Applicable Law. The validity, construction and effect of each of the Bond Documents will be governed by the law of the State applicable to agreements made and to be performed in the State, without regard or effect given to conflict of laws rules which would require the application of the laws of any other jurisdiction.

Section 11. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, each of which so executed and delivered will constitute an original and all together will constitute but one and the same instrument.

Section 12. Severability. If any section, paragraph, clause or provision of this Bond Purchase Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Purchase Agreement.

Section 13. Performance by Purchaser. The respective obligations of the Issuer and the Company hereunder are subject to the performance by the Purchaser of its obligations hereunder.

Section 14. Limitation of Issuer's Liability. No agreements or provisions contained herein nor in any other of the Bond Documents or the Bond nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with any property of the Company financed, directly or indirectly, out of the Bond proceeds or the issuance, sale and delivery of the Bond will ever give rise to any pecuniary liability of the Issuer, its officers or members of its governing body or constitute a charge against the Issuer's general credit or taxing powers, or will obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or under the Indenture and pledged to the payment of the Bond, and their application as provided under the Indenture. No failure of the Issuer to comply with any terms, covenants or agreements herein or in any Bond Document, the Indenture or in any other document executed by the Issuer in connection with the Bond will subject the Issuer, its officers and members of its governing body to any pecuniary charge or liability except as to the extent that the same can be paid or recovered from the funds available hereunder or under the Indenture and pledged to the payment of the Bond. Without limiting the requirement to perform its duties or exercise its rights and powers under the Bond Documents upon receipt of appropriate indemnity or payment, none of the provisions of this Bond Purchase Agreement, the Lease or the Indenture will require the Issuer to expend or risk its funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under any Bond Document or the Indenture. Nothing in any Bond Document will preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein or in the Bond Documents; provided, that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds available hereunder or under the Indenture and pledged to the payment of the Bond.

Section 15. Notices. All notices required under this Bond Purchase Agreement shall be deemed to be properly sent if in writing, signed by the Party or authorized agent sending the notice, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of the methods in (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the

Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,
Attn.: Dennis Holmberg, County Manager
Phone: (505) 396-8601
Fax: (505) 396-2093

with a copy to:

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W.
Suite 1000
Albuquerque, New Mexico 87102
Attention: Duane Brown and Peter Franklin

If to the Purchaser:

NEF Series 2004, LLC
One Sun Plaza
100 Sun Lane NE, Suite 204
Albuquerque, NM 87109
Attention: E. James Ferland, President and CEO
Phone: (505) 944-0194
Fax: (505) 944-0198

If to the Company:

Louisiana Energy Services, L.P.
One Sun Plaza
100 Sun Lane NE, Suite 204
Albuquerque, NM 87109
Attention: E. James Ferland, President and CEO
Phone: (505) 944-0194
Fax: (505) 944-0198

with a copy to:

Rodey Law Firm
201 Third St., Suite 2200
Albuquerque, NM 87102
Attention: Donald B. Monnheimer
Phone: (505) 766-7556
Fax: (505) 768-7395

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 16. Remedies. Except as otherwise provided in Section 14 of this Agreement, Section 11.3 of the Lease and Section 1112 of the Indenture, no right or remedy conferred on any Party in this Bond Purchase Agreement is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default.

Section 17. Beneficiaries. Nothing expressed or implied in any of the Bond Documents is intended or is to be construed to confer upon any Person other than the Parties (and, in the case of Section 6 hereof and Section 6.3 of the Lease only, the Indemnified Parties) any right, remedy or claim, legal or equitable.

Section 18. No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Bond Purchase Agreement, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

Section 19. Non-Merger. The provisions of this Bond Purchase Agreement shall survive the conveyance of the Project Property to the Issuer, the reconveyance of the Project Property to the Company, and all other performances hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 20. Obligations of Issuer Not Obligations of Officials Individually. All obligations of the Issuer under the Bond Documents and the Bond will be deemed to be obligations of the Issuer to the full extent permitted by the Constitution and laws of the State. No obligation under any of the Bond Documents or the Bond will be deemed to be an obligation


of any present or future officer (including, without limitation, any member of the Board of County Commissioners) or employee of the Issuer in his or her individual capacity, and no officer of the Issuer who executes the Bond will be personally liable on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 21. Amendments. This Bond Purchase Agreement may be amended by one or more instruments executed by the Issuer, the Company and the Purchaser. The Issuer shall amend this Bond Purchase Agreement as requested by the Company or a lender or other entity providing all or any part of the Project Financing (as defined in the Lease), provided any such amendment is not inconsistent with the Bond Ordinance.

DATED: January 22, 2004.

ISSUER:

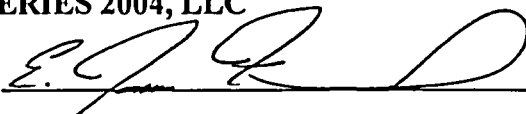
LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County
Commissioners

By: 
Name: Harry Teague

Its: Chairman of the Board of County
Commissioners

PURCHASER:

NEF SERIES 2004, LLC

By: 
Name: E. James Ferland

Its: President and Chief Executive Officer

COMPANY:

LOUISIANA ENERGY SERVICES, L.P.

By: 

Name: E. James Ferland

Its: President and Chief Executive Officer

EXHIBIT A
OPINION OF BOND COUNSEL

January __, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

Louisiana Energy Services, L.P.
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Bank of Albuquerque, National Association
201 Third Street NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Lea County, New Mexico (the "Issuer") of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

The Bond will bear interest on the outstanding principal amount at 5% per annum, and will mature on _____, 2034 (the "Maturity Date"). Interest on the Bond is payable on each _____, beginning on _____, 2005, until and including the Maturity Date. The entire principal amount of the Bond will be payable in one payment on the Maturity Date.

The Bond is subject to redemption prior to maturity as described in the Indenture dated the date hereof (the "Indenture") among the Issuer, NEF Series 2004, LLC (the "Purchaser") and

Bank of Albuquerque, National Association, Albuquerque, New Mexico, as Depository (the "Depository").

The principal of, interest on and redemption price of the Bond are not general obligations of the Issuer but special limited obligations payable by the Issuer solely from certain revenues pledged under the Indenture.

Neither the faith and credit nor the taxing power of the State of New Mexico or of any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness of the Issuer within the meaning of any provision or limitation of the constitution or laws of the State of New Mexico. The Bond will never constitute nor give rise to a pecuniary liability of the State of New Mexico or any of its political subdivisions, including the Issuer, or a charge against their general credit or taxing powers.

In connection with the issuance of the Bond we have examined: (a) a certified copy of an ordinance adopted December 16, 2003 by the governing body of the Issuer, authorizing the issuance of the Bond (together, the "Bond Ordinance"), pursuant to and under the provisions of Chapter 4, Article 59 New Mexico Statutes Annotated, 1978 Compilation, as amended (together with the Bond Ordinance, the "Act"); (b) the executed Bond; (c) executed counterparts of the Indenture, the Lease and Purchase Agreement dated the date hereof (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company") and the Bond Purchase Agreement dated the date hereof among the Issuer, the Company, and the Purchaser (the "Bond Purchase Agreement" and, together with the Indenture and the Lease, the "Bond Documents"); and (d) such other opinions, documents, certificates and letters as we deem relevant in rendering this opinion.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Issuer and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Issuer, and is enforceable against each such party in accordance with its terms; and

B. that the execution, delivery and performance of the Bond Documents by any party will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require approval or consent under New Mexico and federal law and applicable regulations, any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject.

Based on such examination and the assumptions, and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Issuer is a governmental subdivision of the State of New Mexico and has the power and authority, under the constitution and laws of the State of New Mexico, including the Act, to execute and deliver the Bond Documents, and to authorize, execute, issue and deliver the Bond.
2. The terms and provisions of the Bond and the Bond Documents comply in all respects with the requirements of the Act.
3. The Bond has been validly authorized, executed and issued in accordance with the laws of New Mexico and represents the valid and binding special limited obligation of the Issuer.
4. The Bond Documents have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents and the Bond, constitute legal, valid and binding special limited obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.
5. Neither the Bond nor the Lease is required to be registered under any New Mexico or federal securities law. The Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.
6. The provisions of Rule 15c2-12 of the Securities and Exchange Commission are not applicable to this transaction inasmuch as the Bond is being sold in a private sale without participation of an underwriter.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

- (i) The collateral pledged and in which a security interest is granted under the Indenture is personal property and does not constitute any goods that are or may become fixtures pursuant to Section 55-9-334 NMSA 1978, as amended;
- (ii) Section 42A-1-24(C) NMSA 1978 provides that a court which has heard and adjudicated a condemnation proceeding has the power over the condemnee's compensation to "make orders as the court deems necessary with respect to encumbrances, liens, rents, insurance and other just and equitable charges";

(iii) We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security interests in, any real or personal property constituting the Project Property (as defined in the Lease); and

(iv) We express no opinion as to the enforceability of any provisions of the Bond Documents

purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct.

(v) We express no opinion as to the validity or enforceability of any severability clause or the availability of any injunctive relief or other equitable remedies, all of which are subject to the court's discretion.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof solely for use in connection with the issuance of the Bond to the Purchaser. This letter and the opinions expressed herein may not be used or relied upon by the addressees hereof for any other purpose and may not be relied upon for any purpose by any person or entity other than the addressees hereof. Except for the use permitted herein and except in connection with the preparation and customary distribution of the transcript of proceedings relating to the issuance of the Bond, this letter is not to be quoted or reproduced in whole or in part or otherwise referred to in any manner, nor is it to be filed with any governmental agency or delivered to any other person without our prior written consent. We assume no responsibility to notify the addressees hereof of any subsequent changes in the law or of any circumstance or event which may occur after the date hereof that affect or could possibly affect the opinions expressed herein or to otherwise supplement such opinions to reflect any such changes in the law or the occurrence of any circumstances or event after the date hereof.

Very truly yours,

Rodey, Dickason, Sloan, Akin & Robb, P.A.

EXHIBIT B
OPINION OF COUNSEL TO THE COMPANY AND THE PURCHASER

January __, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

Louisiana Energy Services, L.P.
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 Third Street NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

This firm has represented Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company") and NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser") in connection with the Lease and Purchase Agreement dated the date hereof (the "Lease") between Lea County, New Mexico (the "Issuer") and the Company and the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") among the Purchaser, the Issuer and the Company, pursuant to which the Purchaser has agreed to purchase the Issuer's Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond"), to be issued under the Indenture dated the date hereof (the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Depository. We are rendering this opinion pursuant to Section 7(e)(ii) of the Bond Purchase Agreement. In that connection we have reviewed executed copies of the Lease, the Bond Purchase Agreement and the Indenture (collectively, the "Bond Documents"), certificates of officers of the Company and certificates of public officials and have made such other investigations of law and fact as we have deemed

necessary for the purpose of issuing this opinion. Terms are used in this opinion as defined in the Bond Documents.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Company and the Purchaser and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Company and the Purchaser, and is enforceable against each such party in accordance with its terms; and

B. that the execution, delivery and performance of the Bond Documents by any party (other than the Company and the Purchaser) will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require consent under any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject.

Based on the assumptions and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Company is a limited partnership duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico, and is in good standing as a foreign limited partnership under the laws of the State of New Mexico, and has duly authorized the execution, delivery and performance of the Lease and the Bond Purchase Agreement (collectively, the "Company Documents"). The Company Documents have been duly executed by the Company.
2. The Purchaser is a limited liability company, duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico as a foreign limited liability company, and has duly authorized the execution, delivery and performance of the Bond Purchase Agreement and the Indenture (collectively, the "Purchaser Documents"). The Purchaser Documents have been duly executed by the Purchaser.
3. The execution, delivery and performance by the Company of the Company Documents and by the Purchaser of the Purchaser Documents will not (i) conflict with, contravene, or violate the certificate of limited partnership or partnership agreement of the Company or the Purchaser, respectively, or (ii) to the best of our knowledge, after due inquiry, conflict with, contravene, violate or constitute a material breach of, or default under, any law, rule, regulation, ordinance, order, consent, decree, agreement or instrument to which the Company or the Purchaser is a party or by which the properties of either the Company or the Purchaser, respectively, are bound.

4. With the exception of the licensing, regulatory and other approvals required under New Mexico and federal law, with respect to the construction and operation of the Project, to the best of our knowledge, after due inquiry, all approvals, permits, licenses, consents, authorizations, certifications and other orders of any governmental authority or agency necessary for the execution and delivery by the Company of the Company Documents and the execution and delivery by the Purchaser of the Purchaser Documents have been obtained and are in full force and effect.
5. There is no action, suit, proceeding, inquiry or investigation by or before any court, public board or body pending or, to the best of our knowledge, threatened, against the Company or the Purchaser which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own or operate any of the Project or the Project Property, or (iv) could result in an unfavorable decision, ruling or finding that could materially adversely affect the financial condition or operations of the Company or the Purchaser or could materially adversely affect the transactions contemplated by the Bond Documents or the validity of the Bond.
6. The Company Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.
7. The Purchaser Documents constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

- (a) We are admitted to practice law in the State of New Mexico, and we express no opinion herein with respect to the application or effect of the laws of any jurisdiction other than the existing laws of the State of New Mexico and, to the extent applicable, the existing laws of the United States of America;
- (b) We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security

interests in, any real or personal property constituting the Project Property (as defined in the Lease);

- (c) We express no opinion as to the enforceability of any provisions of the Company Documents or the Purchaser Documents purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct; and
- (d) We express no opinion as to the validity or enforceability of any severability clause or the availability of injunctive relief or any other equitable remedies, all of which are subject to the court's discretion.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof in connection with the Company Documents and the Purchaser Documents and the transactions contemplated thereby, and the opinions and all conclusions stated herein may not be quoted or relied upon by any person other than the addressees hereof or for any purpose other than as stated herein without our prior written consent. We make no undertaking to supplement this opinion if facts or circumstances come to our attention or changes in the law occur after the date hereof which could affect the conclusions reached in this opinion.

Very truly yours,

By:

EXHIBIT C
OPINION OF COUNSEL TO THE ISSUER

January ____, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 Third St. NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

We serve as legal counsel to Lea County, New Mexico (the "Issuer"), and in that capacity we have advised the Issuer regarding the issuance of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

We have been asked to render this opinion pursuant to Section 7(e)(iii) of that certain Bond Purchase Agreement dated as of the date hereof ("Bond Purchase Agreement") among the Issuer, Louisiana Energy Services, P.C., a Delaware limited partnership (the "Company"), and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser of the Bond. In our opinion:

1. The Issuer is a governmental subdivision of the State of New Mexico ("State"), and is duly organized and validly existing under the constitution and laws of the State.
2. Ordinance No. 58, adopted December 16, 2003 (the "Ordinance") pertaining to the Bond, were duly adopted by the governing body of the Issuer in accordance with NMSA 1978 §§ 4-37-6, 4-37-7 and 4-37-9 governing the procedures for adoption of county ordinances in that public notice of the proposed ordinance was properly given, and that a public hearing was properly conducted prior to the adoption of the Ordinance. The Ordinance is in full force and effect and has not been amended, modified, repealed or rescinded.

3. To our knowledge, the adoption of the Ordinance by the governing body of the Issuer will not violate any provision of the constitution or laws of the State.
4. Except as disclosed in writing to the above-named addressees on or before the date of this opinion letter, no litigation is now pending or, to our knowledge, threatened against the Issuer which seeks to or does restrain or enjoin the issuance or delivery of the Bond or execution and delivery of the Bond Documents (as described in the Bond Purchase Agreement), or in any manner questions the authority or proceedings for the issuance of the Bond or the execution and delivery of the Bond Documents.

The foregoing opinions are limited to matters involving the current law of the State and the Issuer, and we do not express any opinion as to the laws of any other jurisdiction. This opinion is delivered to you solely in connection with the matters referred to in numbered paragraphs 1 through 4 above and may not be relied upon by you for any other purpose and may not be provided to or relied upon any other person.

Very truly yours,

MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.

BY:

PETER FRANKLIN

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דער שטח פון דעם פארשטאנד

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- Grantor and Grantee acknowledge and agree that the Consideration is good and sufficient consideration for the grant of this Easement and for the other agreements contained in this instrument.

- 1 -

4. **Uses of the Land; Improvements and Equipment:**

A. This Easement authorizes Grantee to use and improve the Land in any manner that may be necessary or convenient to support and facilitate a gas centrifuge uranium enrichment facility ("Facility") in accordance with an operating license from the United States Nuclear Regulatory Commission ("NRC") or any other successor agency with jurisdiction, as the same may be renewed, revised, amended, supplemented, assigned, modified and/or renumbered from time to time in accordance with law and applicable regulations ("NRC License") and all applicable federal licensing or regulatory requirements ("Federal Requirements") and, subject to Paragraph 26 of this Easement, applicable state licensing or regulatory requirements ("State Requirements").

B. This Easement shall be liberally construed to assure that Grantee and its agents have sufficient legal rights to use and improve the Land as necessary to (i) support and facilitate the Facility; (ii) decommission the Facility in accordance with Federal Requirements and, subject to Paragraph 26 of this Easement, State Requirements, including but not limited to NRC requirements as specified in Title 10 of the Code of Federal Regulations (i.e., 10 CFR), Parts 70, "Special nuclear material," and 40, "Source material," sections 70.38 and 40.42, "Expiration and termination of licenses and decommissioning of sites and separate buildings or outdoor areas" (i.e., 10 CFR 70.38 and 10 CFR 40.42); and (iii) fully reclaim the Land in accordance with Federal Requirements, State Requirements and this Easement, subject to Paragraph 26 of this Easement. Subject to Paragraph 4.C below, Grantee's rights under this Easement shall include, *but are not limited to*, the right to use and improve the Land for the following purposes: (a) constructing and operating the Facility; (b) providing power, water, waste disposal and other utility services to the Facility; (c) providing access to the Facility; (d) limiting access to the Facility and the Land in proximity thereto as required by the NRC License or other Federal Requirements; (e) constructing, operating and maintaining primary and support buildings and facilities; (f) constructing facilities for uranium byproduct storage in accordance with Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (g) storing uranium byproduct in accordance with Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (h) constructing and

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maintaining access and maintenance roads; (i) decommissioning the Facility as required by Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (j) reclaiming the Land and removing improvements and equipment as provided in Paragraph 5.B-E of this Easement; and (k) housing furnishings, fixtures, equipment and vehicles related to the operations at the Facility; provided, however, that all uses and improvements under this Easement shall be in accordance with all Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements, and only as necessary or convenient to support and facilitate the Facility.

C. Grantee may use and operate such equipment on the Land, and may construct, operate, maintain and replace improvements on the Land, as may be reasonably necessary to carry out the purposes of this Easement, as set forth in Paragraph 4.A above. As of the Effective Date, Grantee anticipates that it will construct, operate, maintain and replace, as necessary, the following improvements and equipment on the Land:

(1) The buildings, administrative facilities, access roads, storage facilities, electrical lines and poles, pipelines, fencing, security apparatus, ponding areas and other improvements depicted on Exhibit B to this Easement;

(2) A septic tank and leaching field; and

(3) Such other improvements, personal property and fixtures as may be necessary or desirable to carry out the purpose of this Easement, as set forth in Paragraph 4.A above.

The foregoing description of improvements and equipment is not intended to be an exhaustive list.

D. Grantor understands and agrees that access to the Facility and to the Land in proximity thereto will be limited in accordance with Federal Requirements, including but not limited to NRC requirements specified in 10 CFR 73, "Physical protection of plants and materials," as directed by 10 CFR 70.22, "Contents of licenses," paragraph (h)(1), and, subject to Paragraph 26 of this Easement, State Requirements.

E. Except as limited by Paragraph 17, (i) documents related to substantial improvements on the Land shall be kept at the operations office for the Facility; (ii) Grantor shall have the right to inspect such records and improvements provided that Grantor shall request

such inspection by giving Grantee reasonable notice thereof and provided that Grantee is able to permit access to the Facility at the time requested by Grantor; and (iii) Grantee shall provide Grantor with copies of documents that it provides to NRC, the New Mexico Environmental Department and any other federal or state agency with jurisdiction, showing the location and/or type of the improvements and equipment located on the Land. If Grantee is unable to provide access to the Facility at the specific time requested by Grantor, such access will be available to Grantor at such other time as is mutually agreeable to Grantor and Grantee.

5. Reclamation and Removal of Improvement and Equipment.

A. Prior to termination of this Easement, Grantee shall decommission the Facility as required by, and in accordance with, Federal Requirements, including but not limited to NRC regulatory requirements in 10 CFR 70.38 and 10 CFR 40.42, and subject to Paragraph 26 of this Easement, State Requirements. Grantee also shall provide assurances that adequate funding will be available to decommission the Facility in accordance with Federal Requirements, including but not limited to NRC requirements in 10 CFR 70.25 and 10 CFR 40.36, "Financial assurance and recordkeeping for decommissioning" and, subject to Paragraph 26 of this Easement, State Requirements. Documentation thereof shall be delivered to Grantor as and when it is delivered to NRC.

B. Grantee shall reclaim the land in accordance with Federal Requirements and State Requirements. Grantee shall submit a proposed reclamation plan ("Reclamation Plan") to Grantor for Grantor's approval, which approval Grantor shall not unreasonably withhold. The Reclamation Plan shall be submitted to Grantor concurrently with Grantee's submission to NRC of its plan for decommissioning the Facility ("Decommissioning Plan") as required by Federal Requirements, including but not limited to 10 CFR 70.38 and 10 CFR 40.42, and, subject to Paragraph 26 of this Easement, State Requirements. Grantor agrees that the Reclamation Plan may provide that reclamation required by Section 19.2.10.27, N.M.A.C. and removal of improvements and equipment shall commence after completion of the activities required by the Decommissioning Plan. Grantee shall reclaim the Land in accordance with the Reclamation Plan approved by Grantor.

C. Prior to relinquishment or termination of this Easement, Grantee shall remove all improvements and equipment on the Land except as otherwise provided herein, or

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STATE OF NEW MEXICO

except as required by the Reclamation Plan approved by Grantor, or in a written agreement between Grantor and Grantee.

D. If Grantee fails to remove improvements and equipment on Land as required in Paragraph 5.C, Grantor may, at Grantor's discretion, declare that all or any such remaining improvements and equipment are forfeited to Grantor. Any such declaration shall be in writing and shall be sent to Grantee in the manner contemplated for giving notice under this Easement. In the event of forfeiture, Grantee shall execute such bills of sale, assignments, or such other instruments as Grantor may request to acknowledge the transfer of title to Grantor.

E. If Grantee fails to remove any non-forfeited improvements and equipment as required herein, Grantee shall be deemed a holdover tenant and shall pay Grantor monthly rent, in advance, equal to three (3) times the then current rental value of the Land on which the improvements and/or equipment is located. Such rental value shall be calculated assuming the Land's highest and best use, as determined solely by the Grantor, and shall be based on no fewer than 10 acres. This provision shall not be deemed liquidated damages, shall not constitute a penalty and shall not entitle Grantee to continued use or possession of the Land.

F. Paragraphs 5.A through 5.E shall survive termination of this Easement.

6. Rights Reserved to Grantor:

A. This Easement conveys only the rights and interest in the Land expressly described. This Easement conveys no right, title or interest in the Land by implication.

B. Subject to the limitations set forth in Paragraph 6.C, Grantor hereby expressly reserves from this Easement:

(1) all subsurface and mineral rights, including the right to explore for, mine, develop and produce minerals such as sand and gravel, coal, caliche and humate and to issue oil; gas; geothermal resources and any other minerals related to the Land, provided that such rights, issues and leases shall be subject to this Easement;

(2) the right to sell or exchange the Land, provided that (i) Grantor shall give Grantee such notice as required by law, rules and regulations of its intent to sell or exchange and (ii) such sale or exchange (if not to Grantee) shall be subject to this Easement; and

(3) the right to use and possession of the Land free of this Easement after relinquishment or termination of this Easement, subject only to Grantee's right and duty to remove improvements and equipment and reclaim the Land.

C. Grantor shall execute and record in the records of the State Land Office a Land Use Restriction or Condition ("LURC") that provides that, absent Grantee's prior written consent, (i) Grantor shall neither exercise Grantor's rights under Paragraph 6.B(1) nor exercise Grantor's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under or over the Land, including the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals during the Term of this Easement. As good and adequate consideration for the LURC, Grantee shall pay to Grantor Five Thousand and no/100 Dollars (\$5,000.00) per year, beginning on the fifth (5th) anniversary of the Effective Date and on each anniversary of the Effective Date thereafter up to and including the thirty-fourth (34th) anniversary of the Effective Date, or so long thereafter as Grantee occupies and uses the Land, unless this Easement is earlier terminated or relinquished; provided that if the Easement is terminated by a sale or exchange of the Land to Grantee or to Lea County, New Mexico, (a) both the restrictions and conditions in the LURC and Grantee's obligation to pay the consideration therefor in the amount, and for the time, set forth in this Paragraph shall survive and (b) the instrument conveying the Land shall expressly recite the restrictions set forth in the LURC. Grantee may record the LURC in the real property records of Lea County, New Mexico.

D. If Grantor offers the land for sale or exchange, Grantee agrees to participate in the sale or exchange process and submit and offer to purchase or exchange the land directly or through an intermediary with a bid of at least the fair market value of the unimproved land and the fair market value of third party improvements and comply with Grantor's rules and regulations on land sales or exchanges.

7. **Compliance with Law:** Grantee shall comply with all laws, whether statutory or court-made, regulations, rules, ordinances, and requirements, including, but not limited to, those addressed to environmental protection and all State Land Office Rules applicable to the Land or

to Grantee's use of the Land and improvements thereon. Grantee's compliance obligations include, but are not limited to:

A. Grantee agrees not to discriminate against any person on the basis of race, color, religion, national origin, sex, sexual preference, age or handicap.

B. Grantee shall not permit any nuisance to be maintained on the Land, provided that no use of the Land permitted by this Easement shall be deemed to constitute, or cause, a nuisance.

C. Grantee shall comply with applicable environmental laws in Chapter 74, NMSA 1978, and regulations promulgated pursuant thereto.

D. Grantee shall diligently maintain and protect the Land and improvements thereon from waste and trespass, provided that no use of the Land permitted by this Easement shall be deemed to constitute, or cause, waste of the Land.

8. **No Warranty.** Grantor makes no warranties as to Grantor's title, fitness of the Land for a particular purpose or as to any other matter. Grantee shall use, improve and accept the Land "as is." The rights granted hereby are subject to existing rights. Grantee agrees that it is solely responsible for determining whether any third party has or claims any prior and superior right, title or interest in or to the Land that may conflict with this Easement. Grantee shall at Grantee's sole expense resolve any such conflicting claims and, in the event of litigation, Grantor shall not be an indispensable or necessary party.

9. **Existing Rights.** Except as may be required by the NRC License or with applicable NRC requirements, Grantee shall not interfere with any leases, rights-of-way, Grants or other rights or interests in or to the Land that were granted by the State of New Mexico in existence on the Effective Date ("Existing Rights"). Grantee specifically agrees to use its best efforts to (i) avoid destruction or injury to any improvements or livestock on the Land pursuant to Existing Rights; (ii) close all gates immediately upon passing through same; and (iii) pay promptly the reasonable and just damages for injury or destruction arising from Grantee's use of the Land. Notwithstanding the foregoing, Grantee shall have the right to negotiate with the Grantor and the grantee of that certain Grant of Right of Way No. RW-22760 to relocate the carbon dioxide pipeline permitted thereby.

10. **Pipelines.** Unless otherwise expressly agreed by Grantor in writing, Grantee shall bury at least twenty inches (20") below the surface all pipelines that are installed by

Grantee on the Land except temporary pipelines, or pipelines whose sole purpose is to support a construction project.

11. Assignment. Except as otherwise provided in this Paragraph, Grantee shall not assign this Easement, either in whole or in part, without the prior written consent of Grantor. Grantor's consent may be conditioned upon the agreement by Grantee's assignee to additional conditions and covenants and may require payment of additional consideration to Grantor; provided that, for any authorized assignment occurring on or before January 1, 2009, no additional covenants and conditions and no additional payment shall be required. Grantor hereby consents to (i) Grantee's assignment of this Easement, or a leasehold or other interest in this easement, to Lea County, New Mexico ("County") and to the County's grant to Grantee, or its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in this Easement and pursuant to both the County Industrial Bond Revenue Act, Chapter 4, Article 59 N.M.S.A 1978, as amended, and other applicable law, if any; provided, that such assignment shall not diminish, alter or affect Grantee's duties, liability or responsibilities under this Easement; and (ii) the grant of mortgage or other encumbrance on or against this Easement to secure obligations incurred in financing for the Facility. Additionally, notwithstanding any other provision in this Easement, Grantee may, without Grantor's consent, grant licenses, permits or other authorizations to third parties to carry out the purposes of this Easement; provided, however, that such licenses, permits or other authorizations by Grantee shall not constitute an assignment of this Easement and shall not diminish, alter or affect Grantee's duties, liability or responsibilities under this Easement.

12. Abandonment. Grantor may deem that Grantee has abandoned its rights and interest under this Easement if after January 1, 2009, Grantee fails for a continuous period in excess of twelve (12) consecutive months to use the Land, or some portion thereof, for at least one of the purposes authorized by this Easement. In such event, at Grantor's discretion, this Easement shall be subject to termination pursuant to Paragraph 15 below *unless* Grantee's non-use is the result of a court or administrative order or is otherwise involuntary, as set forth in an affidavit provided to Grantor by Grantee. Furthermore, no abandonment shall be deemed to have occurred as to any disturbed portion of Land that has not been fully reclaimed in accordance with this Easement.

13. Relinquishment.

A. Grantee may request relinquishment of this Easement, in whole or in part, by requesting such relinquishment in writing. Grantee shall not, by relinquishment, avoid or be released from any liability arising from or related to Grantee's use of the Land, including the duty to remove improvements and equipment and reclaim the Land. Upon relinquishment, Grantee shall not be entitled to any refund of money previously paid as Consideration under this Easement.

B. Notwithstanding the foregoing Paragraph 13.A, a relinquishment by Grantee of the Easement shall not be effective, and Grantor shall not have a right to possession or control of the Land and the improvements and equipment thereon, until the Facility has been decommissioned and all applicable federal and state licenses, including but not limited to the NRC License, have been terminated.

14. **Indemnity.** Grantee shall save and hold harmless, defend and indemnify the State of New Mexico, the Commissioner of Public Lands, and his agents or employees (collectively, "indemnitees"), in their official and individual capacities, from and against any and all liability, claims, losses, or damages arising out of or alleged to arise out of this Easement or the use and occupation of the Land by Grantee or Grantee's agents, licensees, permittees, employees, contractors (including subcontractors), and invitees; provided, however, that Grantee shall be under no obligation to indemnify or hold indemnitees harmless from: (i) liability, claims, losses or damages based on a third party claim that this Easement is invalid or void; and Grantee specifically waives any claims or damages against the Grantor arising out of or directly or indirectly related to third party claims that the Easement is invalid or void; or (ii) liability, claims, losses, or damages caused by the sole negligence or willful or intentional act(s) of indemnitees, or any of them. This Paragraph shall survive termination of this Easement.

15. **Termination.**

A. Grantor may terminate this Easement for material violation of any of the terms and conditions of this Easement ("default"); provided, however, that before any such termination shall become effective, Grantor shall mail to Grantee (or any approved assignee), by certified or registered mail addressed to the post office address of Grantee or such assignee shown by Land Office records, a sixty (60) day notice of default, specifying the default for which the Easement is subject to termination. No proof of receipt or further notice shall be necessary, and sixty (60) days after such mailing, this Easement shall terminate unless Grantee cures the

default within the sixty-day period; or, if the default cannot reasonably be remedied within sixty (60) days, Grantee submits for Grantor's approval within thirty (30) days of the default notice a plan for cure, including a schedule for expeditiously implementing such plan in order to cure the default as soon as reasonably possible. Grantor shall not unreasonably withhold approval of such plan. In the event of early termination of this Easement for any reason, Grantee shall not be entitled to any refund of money previously paid as consideration under this Easement, nor shall Grantee be relieved of its duty hereunder to remove its improvements and equipment and reclaim the Land in accordance with Paragraph 5 of this Easement.

B. Notwithstanding the foregoing Paragraph 15.A, a termination of this Easement shall not be effective, and Grantor shall not have a right to possession or control of the Land and the improvements and equipment thereon, until the Facility has been decommissioned and all applicable federal and state licenses, including but not limited to the NRC License, have been terminated.

16. **Amendment.** Any amendment of this Easement shall be in writing and shall be executed by each of Grantor and Grantee.

17. **Limitation on Disclosure.** Notwithstanding any other provision in this Easement, to the extent any obligation of Grantee under this Easement to disclose or otherwise tender to Grantor information or documents of any kind or to any other person ("Disclosure Obligation"), in Grantee's good faith judgment, based on written opinion of counsel, conflicts with, or is contrary to, Grantee's obligation under any Federal or state statute, regulation, policy, directive or order regarding safety, safeguards, security, national security or secrecy related to the Facility or otherwise to Grantee's activities on the Land ("Security Obligation"), the Security Obligation shall control; and Grantee shall not be required to comply with the Disclosure Obligation.

18. **Existing Leases and Rights of Way Not Affected.** This Easement does not modify or amend or change in any way those rights and obligations now or hereafter obtained by Grantee under separate instruments, including but not limited to (i) that certain Oil and Gas Lease No. B-4467 from Grantor to Gypsy Oil Company, to be assigned in part from Chevron U.S.A. Inc., successor in interest to Gypsy Oil Company, to Grantee; (ii) that certain Agricultural Lease No. GR-1855 from Grantor to Wallach Ranch, LLC, to be assigned in part to Grantee; and (iii) any other existing grants from Grantor or Grantee in the Land.

19. **Reporting.** Subject to the provisions in Paragraph 17 of this Easement, Grantee shall provide to Grantor copies of periodic reports made to NRC.

20. **Enforcement.** Venue for any court action brought by either party relating to this Easement shall be exclusively in New Mexico State Court, First Judicial District, Santa Fe County, New Mexico, after all administrative remedies are exhausted.

21. **Governing Law.** The provisions of this Easement shall be construed and enforced in accordance with New Mexico law.

22. **No Third Party Beneficiaries.** There are no third-party beneficiaries of any provision of this Easement.

23. **Exhibits.** All Exhibits attached to this Easement are incorporated herein by reference.

24. **Costs.** Grantee's performance of its obligations under this Easement shall be at Grantee's sole cost and expense.

25. **Severability.** If a court of competent jurisdiction determines that a provision or provisions of this Easement is or are invalid or illegal, such determination shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Easement absent such invalid or unenforceable provision(s) would destroy an essential purpose of this Easement, then this Easement shall be deemed modified to the extent necessary to make this Easement valid or enforceable consistent with its true intent.

26. **Conflict between Federal and State Law.** If there is a conflict between Federal Requirements or other federal law and State Requirements or other state law applicable to the Land and/or the Facility, or Grantee's use of them, such that Grantee cannot reasonably comply with both Federal Requirements or other federal law and State Requirements or other state law, Grantee shall not be deemed to be in "default" under this Easement (as defined in Paragraph 15.A hereof) if Grantee does not comply with State Requirements or other state law until a resolution of the conflict is, and Grantee's obligations are, finally determined by negotiation or agreement among Grantee and the relevant agencies or by a court of competent jurisdiction and last resort; provided that Grantee shall comply with rulings of a court of competent jurisdiction during the pendency of such conflict, unless such ruling(s) is appealed to, stayed by or otherwise abated by a court of competent jurisdiction or by operation of law.

If there is a dispute over whether Federal Requirements or other federal law or State Requirements or other state law apply to the to the Land and/or the Facility, or Grantee's use of them, Grantee shall not be in "default" under this Easement (as defined in Paragraph 15.A hereof) if Grantee does not comply with State Requirements or other state law during the pendency of the dispute, provided that Grantee shall comply with rulings of a court of competent jurisdiction during the pendency of such conflict, unless such ruling(s) is appealed to, stayed by or otherwise abated by a court of competent jurisdiction or by operation of law.

Grantee shall pay the costs and expenses, and shall bear any liability related to, resolution of conflicts between, and disputes regarding the applicability of, Federal Requirements or other federal law and State Requirements or other state law.

GRANTOR:

NEW MEXICO COMMISSIONER OF PUBLIC LANDS

By: Patrick H. Lyons / PHL
Patrick H. Lyons, Commissioner



GRANTEE:

LOUISIANA ENERGY SERVICES, L.P.

By: **SEE ATTACHED SIGNATURE AND
ACKNOWLEDGMENT PAGE**

Exhibits

Exhibit A = Land subject to this Easement
Exhibit B = Improvements

SIGNATURE PAGE - EASEMENT

LOUISIANA ENERGY SERVICES, L.P.

By: [Signature]
Its: E. James Ferland, President

District of Columbia
STATE OF

COUNTY OF

)
) ss.
)

The foregoing instrument was acknowledged before me this 20th day of August, 2003, by E. James Ferland, President of LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership, on behalf of said limited partnership.

My Commission Expires:

12/14/2007

[Signature]



NOTARY PUBLIC
ROXANNE B. RIKER
Notary Public
District of Columbia
My Commission Expires December 14, 2007

GL ENVIRONMENTAL INC.

APPLICATION

FOR STATE OF NEW MEXICO LAND

TOWNSHIP 21 SOUTH, RANGE 38 EAST, N.M.P.M.

SECTION 32

NE1/4-NE1/4

NW1/4-NE1/4

SW1/4-NE1/4

SE1/4-NE1/4

NE1/4-NW1/4

NW1/4-NW1/4

SW1/4-NW1/4

SE1/4-NW1/4

NE1/4-SE1/4

NW1/4-SE1/4

SW1/4-SE1/4

SE1/4-SE1/4

NE1/4-SW1/4

NW1/4-SW1/4

SW1/4-SW1/4

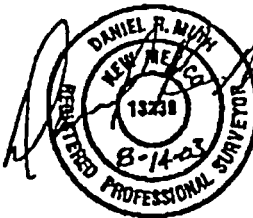
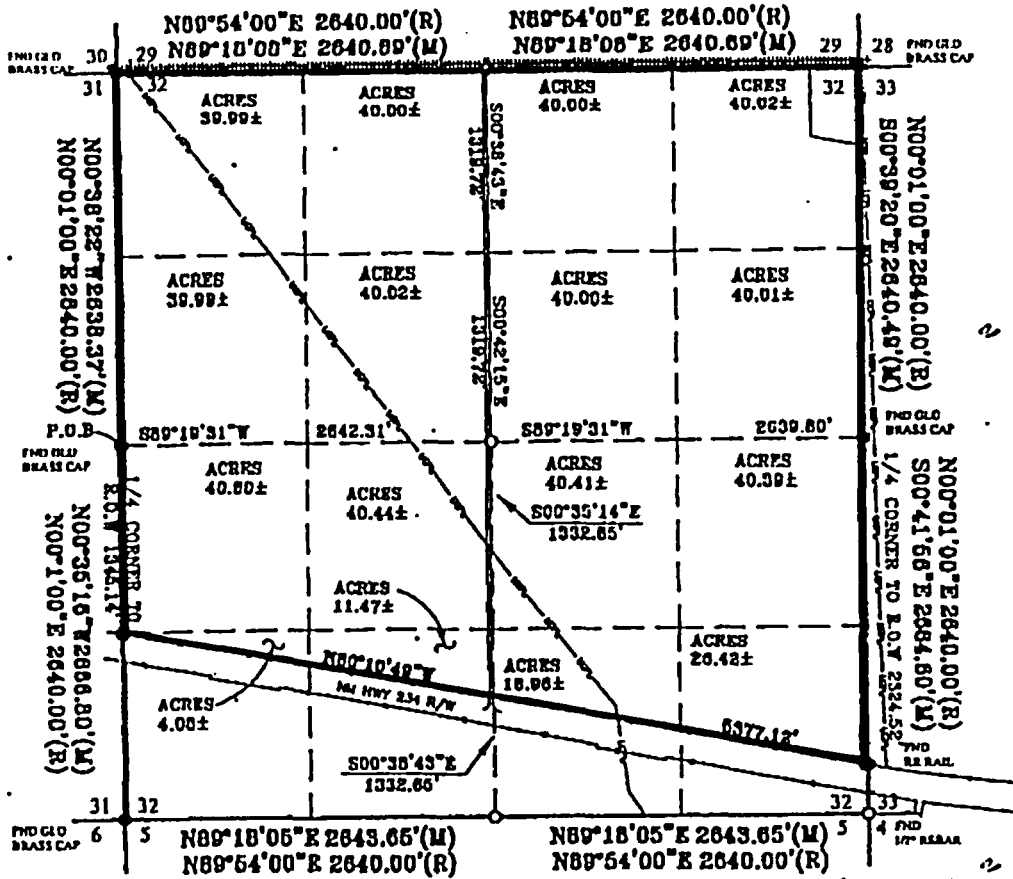
SE1/4-SW1/4

LEA COUNTY, NEW MEXICO

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STATE OFFICE
S/DA 3:10 PM

40974

EXHIBIT "A"



SCALE 1" = 1000
0' 500 1000 2000

LEGEND
☐ SET MONUMENT 36" REBAR W/ 1" ALUM CAP MARKED "MUTE PLR 13238"
☒ FOUND MONUMENT AS NOTED
 --- BARBED WIRE FENCE
 ||||| BARRIAD
 --- UNDERGROUND PIPE LINE
 --- UNDERGROUND TELECOM

State of New Mexico, County of _____, I here by certify that this instrument was filed for record on:

This _____ Day of _____, 20____ A.D.

At _____ O'Clock _____ M.

Book _____ Page _____

By _____, County Clerk

By _____, Deputy

PETTIGREW AND ASSOCIATES

1110 N. ORANGE
 ALBUQUERQUE, NM 87102
 (505) 793-9077

INDEXING INFORMATION
 FOR COUNTY CLERK

OWNER: STATE OF NEW MEXICO
 LOC: SEC. 32 T12S R31E

PLAT OF BOUNDARY SURVEY FOR
 GL ENVIRONMENTAL INC.
 4200 MEADOWLARK LANE
 RIO RANCHO, NEW MEXICO 87124

PROJ. No. 10031016 DWN BY: C. JOHNSON
 DWO Survey/GE Environmental/LDOAS/JT21R31E.dwg
 BOOK LEA CO. #1 SHEET 1 of 2

REV	DATE	DESCRIPTION
0	02/14/2003	PIOTTED
01	06/11/2003	PRELIMINARY PLAT
02	08/11/2003-09/12/2003	DATE OF SURVEY

LEGAL DESCRIPTION

A PARCEL OF LAND WITHIN SECTION 32, TOWNSHIP 21 SOUTH, RANGE 38 EAST, NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO.

BEGINNING at the one-quarter corner between Sections 31 and 32, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29, (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33, (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

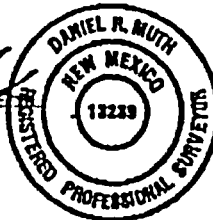
THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING

Said Parcel CONTAINS 542.80 ACRES more or less

CERTIFICATE OF SURVEY-

"I, Daniel R. Muth, New Mexico Professional Surveyor, hereby certify that this Boundary Survey Plat was prepared from an actual ground survey performed by me or under my supervision, that this survey is true and correct to the best of my knowledge and belief, that this Boundary Survey Plat and the field survey upon which it is based meet the Minimum Standards for Surveying in New Mexico, and that this survey is not a land division or subdivision as defined in the New Mexico Subdivision Act. This is a Boundary Survey Plat of an existing tract or tracts.

Daniel R. Muth
Daniel R. Muth NMPS# 13239



14 Aug 2003
Date
FILED
2003 AUG 14 PM 3:49
CLERK OF DISTRICT COURT
LEA COUNTY, NEW MEXICO

(5521)

State of New Mexico, County of Lea, I here by certify that this instrument was filed for record on:

The 14th Day of August, 20 03 A.D.

At 8:55 O'Clock AM

Book 1 Page 566

By Melinda Hughes, County Clerk

By R. J. Dawson, Deputy

PETTIGREW AND ASSOCIATES

(114 N. 05042) BO238, N.M. 00010
(505) 792-9177

0	08/14/2003	PLOTTED
00	08/13/2003	PRELIMINARY PLAT
02/11/2003-08/12/2003	DATE OF SURVEY	
REV	DATE	DESCRIPTION

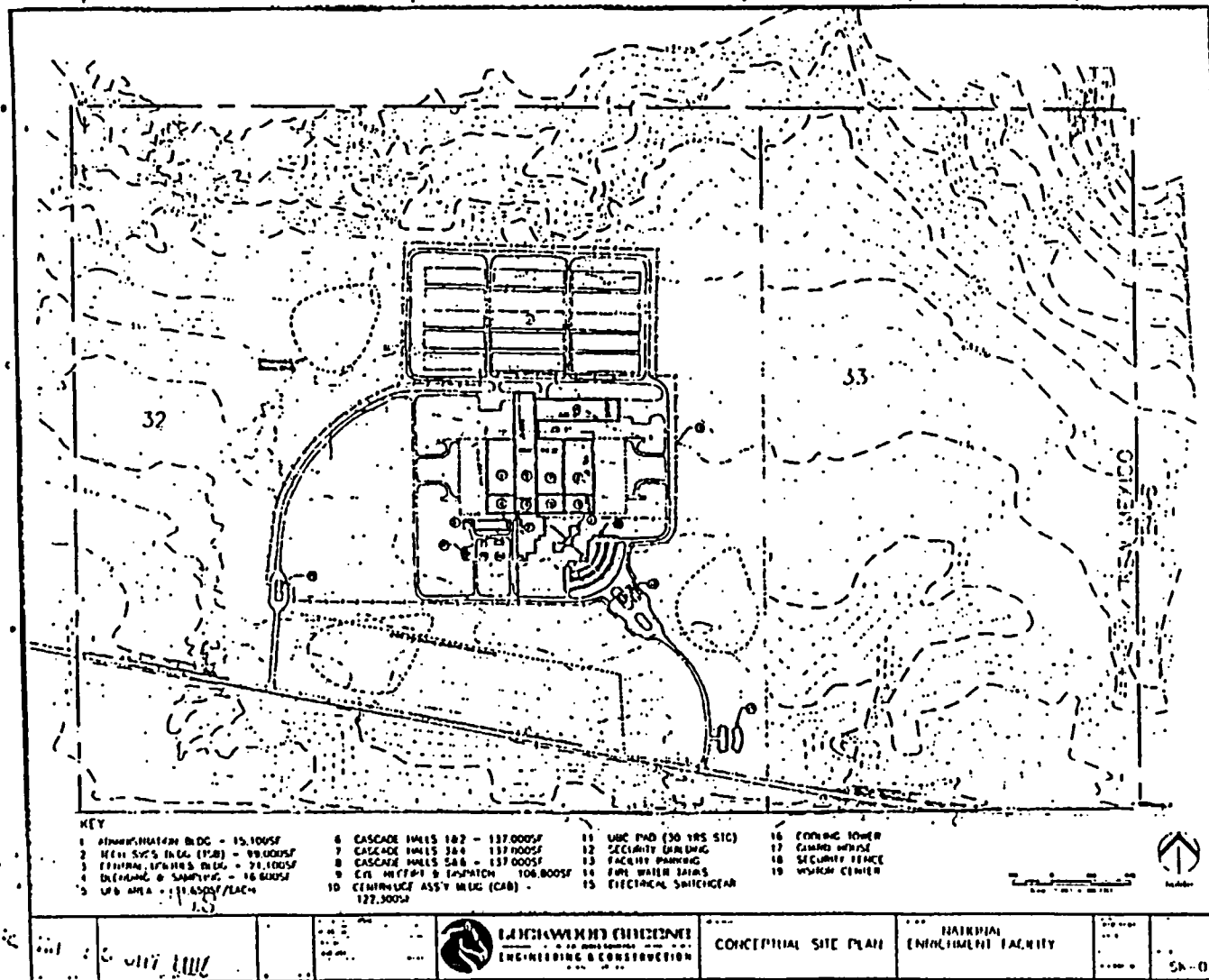
**INDEXING INFORMATION
FOR COUNTY CLERK**

OWNER: STATE OF NEW MEXICO
LOC. SEC. 32 T21S R38E

PLAT OF BOUNDARY SURVEY FOR
GL ENVIRONMENTAL INC.
4200 MEADOWLARK LANE
RIO RANCHO, NEW MEXICO 87124

PROJ. No.	2003.1076	DRAWN BY:	C. JOHNSON
UWO	Survey/GI/Environment/ALDOSS32T21R38E.dwg		
BOOK	LEA CO. #1	SHEET	2 of 2

Exhibit B



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COPY

**NEW MEXICO STATE
COMMISSIONER OF PUBLIC LANDS
AGREEMENT REGARDING LAND USE RESTRICTION OR CONDITION**

This Agreement Regarding Land Use Restriction or Condition ("Agreement") is entered into effective August 22, 2003 by and between the New Mexico Commissioner of Public Lands (together with its successors and assigns, "Commissioner") and Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, "LES") whose address is 1133 Connecticut Ave. NW, Suite 200, Washington, D.C. 20036.

RECITALS

A. On August 22, 2003, the Commissioner executed Grant of Easement and Right of Way No. 28583 pursuant to which the Commissioner granted to LES an easement and right-of-way over, on and to the land described in Exhibit A to this Agreement ("Land").

B. Paragraph 6.C of the Grant of Easement and Right of Way provides that, subject to certain terms and conditions, the Commissioner shall execute and record in the records of the State Land Office a Land Use Restriction or Condition that provides that, absent LES's prior written consent, (i) the Commissioner shall neither exercise the Commissioner's rights under Paragraph 6.B(1) of the Grant of Easement and Right of Way nor exercise the Commissioner's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under or over the Land, including without limitation, the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals during the term of the Grant of Easement and Right of Way.

C. The Commissioner and LES are entering into this Agreement pursuant to Paragraph 6.C of the Grant of Easement and Right of Way.

AGREEMENT

NOW, THEREFORE, FOR GOOD AND ADEQUATE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS ACKNOWLEDGED, THE COMMISSIONER AND LES AGREE:

1. Absent LES's prior written consent, (i) the Commissioner shall neither exercise the Commissioner's right to explore for, mine, develop and produce minerals such as sand and gravel, coal, caliche, humate, oil and gas or other minerals related to the Land nor exercise the Commissioner's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under or over the Land, including for the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals related to the Land during the term of the Grant of Easement and Right of Way.

2. As good and adequate consideration for this Agreement, LES shall pay to the Commissioner Five Thousand and no/100 Dollars (\$5,000.00) per year, beginning on August 22 of 2008 and continuing on August 22 of each year thereafter up to and including August 22 of 2037, or of each year in succession thereafter during which Grantee occupies and uses the Land, unless the Grant of Easement and Right of Way is earlier terminated or relinquished.

3. This Agreement shall be recorded in the records of the State Land Office and in the real property records of Lea County, New Mexico.

4. The term shall begin on the date on which the Commissioner executes this Agreement and shall end on August 22, 2038, or so long thereafter as LES occupies and uses the Land, unless the Grant of Easement and Right of Way is earlier terminated or relinquished; provided that if the Grant of Easement and Right of Way is terminated by a sale or exchange of the Land to LES or to Lea County, New Mexico, (a) both the restrictions and conditions in this Agreement and LES's obligation to pay the consideration therefor in the amount, and for the time, set forth in this Paragraph shall survive and (b) the instrument conveying the Land shall expressly recite the restrictions set forth in this Agreement.

5. If a court of competent jurisdiction determines that a provision or provisions of this Easement is or are invalid or illegal, such determination shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Easement absent such invalid or unenforceable provision(s) would destroy an essential purpose of this Easement, then this Easement shall be deemed modified to the extent necessary to make this Easement valid or enforceable consistent with its true intent.

6. This Agreement shall be binding upon, and shall inure to the benefit of, the Commissioner and LES and their respective assigns and successors in interest.

Executed in duplicate.

NEW MEXICO COMMISSIONER OF PUBLIC LANDS

By: Patrick H. Lyons
Patrick H. Lyons, Commissioner

THIS SPACE INTENTIONALLY LEFT BLANK

LES SIGNATURE PAGE FOR LURC

LOUISIANA ENERGY SERVICES, L.P.

By: 
E. James Ferland, President

DISTRICT OF COLUMBIA

)
) ss.
)

This instrument was acknowledged before me on November 19, 2003 by E. James Ferland, President of LOUISIANA ENERGY SERVICES, L.P. a Delaware limited partnership.


NOTARY PUBLIC

My commission expires:

February 28, 2008

Exhibit A

Land subject to this Agreement

GL ENVIRONMENTAL INC.

APPLICATION

FOR STATE OF NEW MEXICO LAND

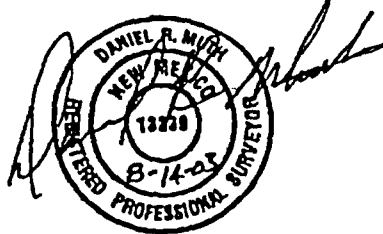
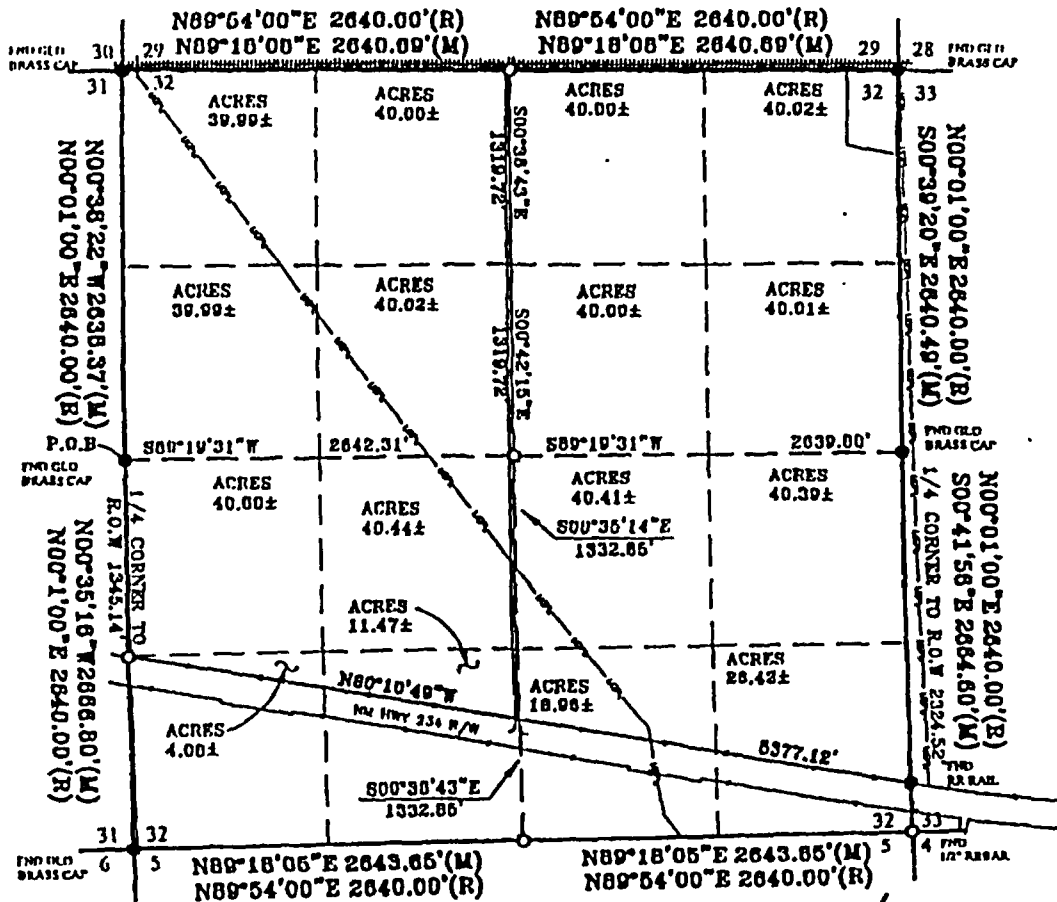
TOWNSHIP 21 SOUTH, RANGE 38 EAST, N.M.P.M.

SECTION 32
NE1/4-NE1/4
NW1/4-NE1/4
SW1/4-NE1/4
SE1/4-NE1/4
NE1/4-NW1/4
NW1/4-NW1/4
SW1/4-NW1/4
SE1/4-NW1/4
NE1/4-SE1/4
NW1/4-SE1/4
SW1/4-SE1/4
SE1/4-SE1/4
NE1/4-SW1/4
NW1/4-SW1/4
SW1/4-SW1/4
SE1/4-SW1/4

LEA COUNTY, NEW MEXICO

40974

EXHIBIT "A"



SCALE 1" = 1000
0' 500 1000 2000

LEGEND	
○	SET MONUMENT 5/8" REBAR W/ 1" ALUM CAP MARKED "MUTH PLS 13137"
●	FOUND MONUMENT AS NOTED
—X—	DAUNED WIRE FENCE
	RAILROAD
—UG—	UNDERGROUND PIPE LINE
—UGT—	UNDERGROUND TELFCOM

State of New Mexico, County of _____, I here by certify that this instrument was filed for record on:

The _____ Day of _____, 20____ A.D.

At _____ O'Clock _____ M.

Book _____ Page _____

By _____, County Clerk

By _____, Deputy

PETTIGREW AND ASSOCIATES

1110 N. GARDEN
NORM, N.M. 80106
(703) 393-9277

DATE	DESCRIPTION
08/14/2003	PLOTTED
08/17/2003	PRELIMINARY PLAT
08/17/2003-08/12/2003	DATE OF SURVEY
DATE	DESCRIPTION

INDEXING INFORMATION
FOR COUNTY CLERK

OWNER: STATE OF NEW MEXICO
LOC: SEC. 32 T21S R31E

Exhibit A

Page 2 of 3

PLAT OF BOUNDARY SURVEY FOR
GL ENVIRONMENTAL INC.
4200 MEADOWLARK LANE
RIO RANCHO, NEW MEXICO 87124

PROJ. No.	12003.1076	DRN BY:	C. JOHNSON
DWG	SurveyOLEEnvironment1.DWG	DATE	8/12/03
BOOK	LEA CO. #1	SHT.	1 of 2

LEGAL DESCRIPTION

A PARCEL OF LAND WITHIN SECTION 32, TOWNSHIP 21 SOUTH, RANGE 38 EAST, NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO.

BEGINNING at the one-quarter corner between Sections 31 and 32, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29, (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33, (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed westerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING

Said Parcel CONTAINS 542.80 ACRES more or less

CERTIFICATE OF SURVEY-

"I, Daniel R. Muth, New Mexico Professional Surveyor, hereby certify that this Boundary Survey Plat was prepared from an actual ground survey performed by me or under my supervision, that this survey is true and correct to the best of my knowledge and belief, that this Boundary Survey Plat and the field survey upon which it is based meet the Minimum Standards for Surveying in New Mexico, and that this survey is not a land division or subdivision as defined in the New Mexico Subdivision Act. This is a Boundary Survey Plat of an existing tract or tracts.

Daniel R. Muth NMPS# 13239



14 Aug 2003
Date

State of New Mexico, County of Lea, I here by certify that this instrument was filed for record on:

The 14th Day of August, 20 03 A.D.

At 8:55 O'clock A.M.

Book 1 Page 566

By Melinda Hughes, County Clerk

By R. Muth, Deputy

PETTIGREW AND ASSOCIATES

1110 N. UNION
(505) 793-9727

0	08/14/2003	PLOTTED
00	08/12/2003	PRELIMINARY PLAT
01	08/12/2003	DATE OF SURVEY
REV	DATE	DESCRIPTION

INDEXING INFORMATION
FOR COUNTY CLERK

OWNER: STATE OF NEW MEXICO
LOC: SEC. 32 T21S R38E

Exhibit A

Page 3 of 3

PLAT OF BOUNDARY SURVEY FOR
GL ENVIRONMENTAL INC.
4200 MEADOWLARK LANE
RIO RANCHO, NEW MEXICO 87124

PROJ. No.	2001.1976	DRN BY:	C. JOHNSON
DWG	Survey of Environmental (LDD) 1121R38E.dwg		
BOOK	LEA CO. #1	SHT.	2 of 2

6

ASSIGNMENT

This Assignment (the "Assignment") is entered into as of the date of execution by all parties hereto by and between, as assignor, Louisiana Energy Services, L.P., a Delaware limited partnership with an address of One Sun Plaza, 100 Sun Lane NE, Suite 204, Albuquerque, New Mexico 87109 ("LES" or "Assignor"), and, as assignee, Lea County, a political subdivision of the State of New Mexico acting through its Board of County Commissioners on behalf of Lea County (collectively, the "County" or "Assignee"). Assignor and Assignee agree as set forth below.

RECITALS

A. By the terms of that certain State of New Mexico Commissioner of Public Lands Grant of Easement and Right of Way effective August 22, 2003 (collectively, the "Easement"), recorded on January 22, 2004, in the real property records of Lea County, New Mexico, in Book 1279, at Pages 388 - 405, as Document No. 50770, the New Mexico Commissioner of Public Lands (together with successors and assigns, the "Commissioner" or "Grantor"), in his capacity as trustee of the land trust established by the Enabling Act (Act of June 20, 1910, 36 Statutes at Large 557, Chapter 310) and that trust's assets (the land trust and its assets, collectively referred to as the "Trust"), granted to LES (together with its successors and assigns, "Grantee"), an easement and right of way in and to the real property described in Exhibit "A" attached to this Assignment.

B. In Paragraph 11 of the Easement, the Commissioner as "Grantor ... consents to ... Grantee's [LES'] assignment of [the] Easement, or a leasehold or other interest in [the] Easement, to [the County] and to the County's grant to Grantee [LES], or

its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in [the] Easement and pursuant to both the County Industrial Bond Revenue Act, Chapter 4, Article 59 NMSA 1978, as amended [(the "Industrial Bond Revenue Act")], and other applicable law, if any; provided, that such assignment shall not diminish, alter, or affect Grantee's [LES'] duties, liability, or responsibilities under [the] Easement"

C. In connection with an industrial revenue bond to be issued by the County for the benefit of LES under the Industrial Bond Revenue Act, LES has determined to assign certain of its interests in the Easement to the County, for the purposes authorized in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement.

NOW THEREFORE, LES, as Assignor, hereby assigns, grants, transfers, and sets over to the County, as Assignee, all of the interest of LES in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement, for the purposes authorized in the Easement, including, without limitation, for the purpose of the construction and operation of a gas centrifuge uranium enrichment facility by LES as agent for the County, as more particularly described in Paragraph 4 of the Easement, subject to the reservations set forth in the Easement and in the following paragraph, with the understanding that the County shall lease back all its interest in the Easement to LES under the terms of that certain Lease and Purchase Agreement dated January 22, 2004, between the County and LES.

This Assignment is subject to Assignor's reservation onto itself of the following interests in and under the Easement, which are not assigned, granted, or set over to the

County hereunder and which interests therefore are not transferred to the County hereunder, but, rather, are reserved and retained by LES:

- a. Rights of LES under Subparagraph C of Paragraph 6 of the Easement and under that certain Land Use Restriction or Condition, referred to in said Subparagraph C, entered into effective August 22, 2003 between LES and the Commissioner recorded in the real property records of Lea County, New Mexico, in Book 1279, at Pages 406 - 412, as Document No. 50771; and
- b. Rights of LES, as set forth under Paragraphs 9, 11, 12, 13, 16, 17, 18, and 26 of the Easement.

Under this Assignment, LES is assigning, granting, transferring, and setting over to the County certain of its interests as described hereinabove, provided that LES has not assigned or delegated any of its duties, liabilities or responsibilities under the Easement to the County, and upon consummation of this Assignment, none of LES' duties, liabilities or responsibilities under the Easement shall be diminished, altered or affected by the terms of this Assignment.

ASSIGNOR:

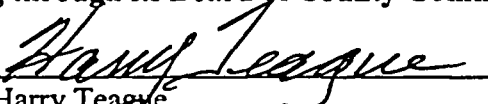
**LOUISIANA ENERGY SERVICES, L.P.,
a Delaware limited partnership**

By: 
E. James Ferland
President and Chief Executive Officer

Date: January 20, 2004

ASSIGNEE:

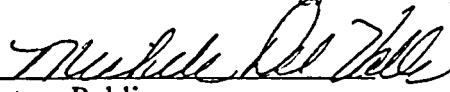
**LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County Commissioners**

By: 
Harry Teague
Chairman of the Board of County
Commissioners

Date: January 20, 2004

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

This instrument was acknowledged before me on January 22, 2004, by E. James Ferland, as President and Chief Executive Officer of Louisiana Energy Services, L.P., a Delaware limited partnership.




Notary Public

My commission expires:

May 18, 2004

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

This instrument was acknowledged before me on January 20, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.



Notary Public

My commission expires:

May 18, 2004

EXHIBIT A

DESCRIPTION OF PROJECT SITE

The Project Site consists of the following:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico.

BEGINNING at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N 89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING.

Kimberly Dennis

From: Kimberly Dennis
Sent: Monday, January 05, 2004 5:48 PM
To: 'jbemis@slo.state.nm.us'
Cc: Donald Monnheimer; Brian Lematta; Nancy Appleby; Catherine Goldberg
Subject: Grant of Easement and Right of Way from the State Land Office to Louisiana Energy Services, L.P.

(sent by Kim Dennis on behalf of Donald Monnheimer)

Dear John,

Thank you for visiting with me last week regarding the proposed assignment of certain rights of Louisiana Energy Services, L.P. ("LES") under the Grant of Easement and Right of Way ("Easement"), in connection with the proposed Industrial Revenue Bond transaction for the LES Project in Lea County. As you know, paragraph 11 of the Easement sets forth the consent of the Commissioner of Public Lands ("Commissioner") to the assignment of LES's interests under the Easement for the purposes authorized under the Easement and pursuant to the County Industrial Revenue Bond Act and other applicable law.

In furtherance of this paragraph and in contemplation of the closing of the Industrial Revenue Bond transaction, we are requesting that State Land Office review the attached form of assignment ("Assignment") and advise us of any comments the Commissioner may have based on the assignment provisions of the Easement.

In other words, we are not asking that the Commissioner consent or approve the proposed assignment transaction, rather we are asking only that the Commissioner review the form of Assignment to see if its terms and provisions are consistent with the assignment provisions of the Easement.

We would appreciate a short letter or other writing advising that the form of Assignment is acceptable or not objectionable to the Commissioner.

We would appreciate your prompt response since the closing of the Industrial Revenue Bond transaction is scheduled for the week after next.

Thank you very much,

Don

Donald B. Monnheimer
Rodey, Dickason, Sloan, Akin & Robb, P.A.
Albuquerque Plaza, Suite 2200
201 Third Street NW (87102)
P.O. Box 1888
Albuquerque, New Mexico 87103-1888
Phone: (505) 766-7556
Fax: (505) 768-7395
E-mail: dbm@rodey.com
Website: www.rodey.com



assignment.DBMcha
nges.edt.4.do...

ASSIGNMENT

This Assignment (the "Assignment") is entered into effective as of _____, 2004, by and between, as assignor, Louisiana Energy Services, L.P., a Delaware limited partnership with an address of 1133 Connecticut Ave. NW, Suite 200, Washington, DC 20036 ("LES" or "Assignor"), and, as assignee, Lea County, a political subdivision of the State of New Mexico, acting through its Board of Commissioners, and including the Board of Commissioners of Lea County, as it is acting on behalf of Lea County (collectively, the "County" or "Assignee"). Assignor and Assignee agree as set forth below.

RECITALS

A. By the terms of that certain State of New Mexico Commissioner of Public Lands Grant of Easement and Right of Way (collectively, the "Easement"), the New Mexico Commissioner of Public Lands (together with successors and assigns, the "Commissioner" or "Grantor"), in his capacity as trustee of the land trust established by the Enabling Act (Act of June 20, 1910, 36 Statutes at Large 557, Chapter 310) and that trust's assets (the land trust and its assets, collectively referred to as the "Trust"), granted to LES (together with its successors and assigns, "Grantee"), an easement and right of way in and to the real property described in Exhibit "A" attached to this Assignment (the "Property"). The Easement was recorded on January __, 2004, in the real property records of Lea County, New Mexico, in Book ____, at Pages ____ - ____, as Document No. _____.

B. In Paragraph 11 of the Easement, the Commissioner as "Grantor ... consents to ... Grantee's [LES'] assignment of [the] Easement, or a leasehold or other

interest in the Easement, to [the County] and to the County's grant to Grantee [LES], or its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in the Easement and pursuant to both the County Industrial Bond Revenue Act, NMSA 1978, §§ 59-4-1 as amended [{"Industrial Bond Revenue Act"}], and other applicable law, if any; provided, that such assignment is not to diminish, alter, or affect Grantee's [LES'] duties, liability, or responsibilities under [the] Easement."

C. In connection with industrial revenue bonds to be issued by the County for the benefit of LES under the Industrial Bond Revenue Act, LES wishes to assign certain of its interests in the Easement to the County, for the purposes authorized in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement.

NOW THEREFORE, LES, as Assignor, hereby assigns, grants, transfers, and sets over to the County, as Assignee, all of the interest of LES in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement, for the purposes authorized in the Easement, including, without limitation, for the purpose of constructing and operating a gas centrifuge uranium enrichment facility ("Facility"), as more particularly described in Paragraph 4 of the Easement, subject to the reservations set forth in the Easement and in the following paragraph, with the understanding that the County shall lease back all its interest in the Easement to LES under the terms of that certain Lease and Purchase Agreement dated _____, 2004, between the County and LES (the "Financing Lease").

This Assignment is subject to Assignor's reservation onto itself of the following interests in and under the Easement, which are not assigned, granted, or set over to the

County hereunder and which interests therefore are not transferred to the County hereunder, but, rather, are reserved and retained by LES:

- a. Rights of LES under Subparagraph C of Paragraph 6 of the Easement and under that certain Land Use Restriction or Condition, referred to in said Subparagraph C, entered into effective August 22, 2003 between LES and the Commissioner; and
- b. Rights of LES, as set forth under Paragraphs 9, 11, 12, 13, 16, 17, 18, and 26 of the Easement.

Under this Assignment, LES is assigning, granting, transferring, and setting over to the County certain of its interests as described hereinabove, provided that LES has not assigned or delegated any of its duties, liabilities or responsibilities under the Easement to the County, and upon consummation of this Assignment, none of LES' duties, liabilities or responsibilities under the Easement shall be diminished, altered or affected by the terms of this Assignment.

LOUISIANA ENERGY SERVICES, L.P.,
a Delaware limited partnership

ASSIGNEE:

LEA COUNTY, a political subdivision of the State of New Mexico

By: _____ [name]
Chair of the Board of Commissioners
of Lea County, New Mexico

STATE OF _____)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2004, by
_____, as _____, of Louisiana Energy Services, L.P.,
a Delaware limited partnership.

Notary Public

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2004, by
_____, as Chair of the Board of Commissioners of Lea County, New
Mexico.

Notary Public

My commission expires:

Kimberly Dennis

From: Hughes, Steve [shughes@slo.state.nm.us]
Sent: Wednesday, January 07, 2004 8:23 AM
To: Kimberly Dennis
Cc: Hoyt, Matthew; Bemis, John
Subject: Proposed form of Assignment

Kimberly: John Bemis has moved up to become the Assistant Commissioner of the Oil, Gas and Minerals Division. The L.E.S. matter has been assigned to me. He forwarded to me your proposed form of an Assignment of the Easement from L.E.S. to the County. I have reviewed it and find it unobjectionable. Please let me know if you require further comment.

7

BILL OF SALE

This Bill of Sale (this "Bill of Sale") is made this 22nd day of January, 2004 by Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company"), in favor of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer").

For good and valuable consideration, the Company gives, grants, bargains, sells, transfers, sets over, assigns, conveys, releases, confirms and delivers to the Issuer all right, title and interest of the Company in and to the Equipment (as that term is defined in the Lease and Purchase Agreement dated as of the date hereof (the "Lease") between the Company and the Issuer) now owned or to be hereafter acquired by the Company to be used in connection with the Project, subject to the Issuer's right and obligation to reconvey the Equipment to the Company in accordance with the terms of the Lease.

This Bill of Sale is binding upon and inures to the benefit of the successors and assigns of the Issuer and the Company.

This Bill of Sale is governed by, is to be interpreted under, and construed and enforced in accordance with, the laws of the State of New Mexico.

LOUISIANA ENERGY SERVICES, L.P.

By:



E. James Ferland
President and Chief Executive Officer

8

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW AND IS TRANSFERABLE ONLY UPON COMPLIANCE WITH THE INDENTURE AND PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS APPLICABLE TO THE TRANSFER AT THE TIME OF THE TRANSFER

No. R-1

Up to \$1,800,000,000

United States of America
State of New Mexico

Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

MATURITY DATE

January 22, 2034

ISSUE DATE

January 22, 2004

LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico, duly organized and existing under the constitution and laws of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), for value received, promises to pay, solely from the source described below, to NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees, the "Purchaser"), on the Maturity Date, One Billion Eight Hundred Million Dollars (subject to prior optional or mandatory redemption as described below) or so much of such amount as has been advanced by the Purchaser and is outstanding and interest thereon as hereinafter provided. Amounts advanced with respect to this Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on this Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to this Bond shall be subject to the terms and conditions set forth in the Bond Purchase Agreement and the Indenture (as those instruments are identified below). Interest on principal amounts outstanding under this Bond shall be payable on each anniversary of the Issue Date commencing January 22, 2005 until and including the Maturity Date (each an "Interest Payment Date"). The entire principal amount of this Bond shall be payable in one payment on the Maturity Date. Payment of the principal of and interest due on the Maturity Date will be made upon presentation and surrender of this Bond for cancellation at the principal offices of the Company (as defined below). This Bond is subject to prior redemption at the times and at the redemption prices specified in the Indenture.

This Bond was duly authorized and is issued under and pursuant to the constitution and laws of the State of New Mexico, particularly Chapter 4, Article 59 NMSA 1978, as amended (the "Act"), and under and pursuant to Ordinance No. 58, duly adopted by the Issuer. This Bond

has been issued by the Issuer in connection with an industrial revenue bond project pursuant to the Act as described below.

The principal of, interest on and redemption price of this Bond are payable by the Issuer solely from the proceeds of the Bond and certain revenues derived by the Issuer from the leasing and sale of a commercial project under and pursuant to a Lease and Purchase Agreement dated the Issue Date (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company"), which Lease pertains to the acquisition, construction and installation of a facility by the Company as agent for the Issuer that will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry, to be located in Lea County, New Mexico and not within the boundaries of any incorporated municipality within Lea County (the "Project"), and which proceeds and revenues have been pledged and assigned by the Issuer to the Purchaser under an Indenture dated the Issue Date (together with any amendments and supplements, the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A., as depository (the "Depository").

Reference is made to the Indenture, the Lease, and the Bond Purchase Agreement (as defined in the Indenture) for the provisions, among others, with respect to the custody and application of the proceeds of the sale of this Bond, the collection and disposition of income and other revenues, restrictions on transfer of this Bond, a description of the revenues pledged and assigned to the payment of the principal of, interest on and redemption price of this Bond, the nature and extent of the security for this Bond, the terms and conditions under which this Bond is issued and amounts to be advanced with respect to this Bond by the Purchaser, and the rights, duties and obligations of the Issuer, the Company, the Purchaser and the Depository. By accepting this Bond, the holder accepts and undertakes to perform all of the obligations of the Purchaser.

This Bond is a special limited obligation of the Issuer payable by the Issuer solely from funds or property available under the Lease and the Indenture that have been pledged and assigned to the Purchaser to secure payment hereof.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW MEXICO OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THIS BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THIS BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE OF NEW MEXICO. THIS BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF NEW MEXICO OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS.

This Bond may be called for redemption, as provided in the Indenture, at the option of the Company in whole or in part on any date selected by the Company, at a redemption price equal

to the principal amount to be redeemed plus interest accrued on such principal amount to the redemption date.

If a Default (as defined in the Indenture) occurs, the Bond shall be subject to mandatory redemption if the Purchaser declares all unpaid principal of and interest on the Bond to be immediately due and payable as provided in the Indenture. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. The Bond also shall be subject to mandatory redemption upon notification by the Company that the NRC License (as defined in the Lease) will not be issued in connection with the Project.

The Purchaser is authorized to endorse on Schedule A attached hereto and made a part of this Bond, the date and amount of each advance by the Purchaser pursuant to Section 404 of the Indenture and each principal payment on and redemption in part of this Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of the Issuer, the Company or the Purchaser.

This Bond may be transferred in whole but not in part.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond and the execution of the Indenture have happened, exist and have been performed as so required.

The validity, construction and performance of this Bond are governed by the law of New Mexico applicable to agreements made and to be performed in New Mexico.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by its Chairman of the Board of County Commissioners or Vice Chairman of the Board of County Commissioners and its seal to be affixed hereto and attested by its County Clerk or a Deputy County Clerk.

**LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County
Commissioners**

By: _____
Its: Chairman of the Board of County
Commissioners

(S E A L)

Attest:

Its: County Clerk

[illegible]

SPECIMEN

9

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

ISSUER CERTIFICATE

We, Harry Teague, Melinda Hughes and, only as to paragraph 27, Larry Hanna, Esq., certify on behalf of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), that we are the duly chosen, qualified and acting Chairman of the Board of County Commissioners, County Clerk and County Attorney, respectively, of the Issuer, and that:

1. The Issuer is a governmental subdivision of the State of New Mexico duly organized and existing pursuant to the constitution and laws of the State of New Mexico and acting through its Board of County Commissioners, its full name being "Lea County".

2. From January 1, 2003 to and including the date of this Certificate, the following were and now are the duly chosen, qualified and acting officers or agents of the Issuer:

Commissioners:	Harry Teague	Chairman, November 20, 2003 to present
		Vice Chairman, January 8, 2002 to November 20, 2003
	Ross Black	Chairman, January 8, 2002 to November 20, 2003
	Gary Schubert	Vice Chairman, November 20, 2003 to Present
	Zeak Williams	
	Darold Stephenson	
County Manager:	Dennis Holmberg	
County Clerk:	Melinda Hughes	
County Assessor:	Shirley Tyler	
County Attorney:	Larry Hanna, Esq.	

3. Attached as Exhibit A is a true, correct and complete copy of the Issuer's Resolution No. 03-JAN-001R, adopted January 7, 2003 that was in effect from January 7, 2003 to January 12, 2004, and Resolution No. 04-JAN-001R, adopted January 13, 2004 that is in effect as of the date hereof (collectively, the "Open Meetings Resolutions"), which resolutions establish certain public notice procedures pursuant to the Open Meetings Act, Chapter 10, Article 15 NMSA 1978, as amended.

4. Attached as Exhibit B is a true, correct and complete copy of the Issuer's Resolution No. 03-AUG-027R, adopted August 5, 2003 (the "Inducement Resolution"), which resolution declares the Issuer's intent to issue, subject to the satisfaction of certain conditions, its Industrial Revenue Bond (Louisiana Energy Services Project) Series 2003, now referred to as its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in an aggregate principal amount not to exceed \$1,800,000,000 (the "Bond") for the benefit of Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company"), to finance the acquisition, construction and installation of a facility by the Company as agent for the Issuer that will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry (the "Project") located within Lea County, and not within the boundaries of any incorporated municipality within the County.

5. Attached as Exhibit C is a true, correct and complete copy of the Issuer's Resolution No. 03-AUG-029R, adopted August 19, 2003 (the "PILOT Resolution"), pertaining to a payment in lieu of taxes.

6. Attached as Exhibit D is a true, correct and complete copy of a certified letter sent by the County Manager to the Mayor and Commissioners of the City of Hobbs on November 10, 2003 pursuant to Section 4-59-4.1 NMSA 1978 (2003 Supp.). The County received proof of receipt of the letter by the addressee.

7. Attached as Exhibit E is a true, correct and complete copy of a certified letter sent by the County Manager to the Lea County Assessor on November 10, 2003 pursuant to Section 4-59-4.1 NMSA 1978 (2003 Supp.). The County received proof of receipt of the letter by the addressee.

8. Attached as Exhibit F is a true, correct and complete copy of the Affidavit of Publication of Notice of Public Hearing and Consideration of Adoption of a Bond Ordinance in The Lovington Daily Leader on November 25, 2003.

9. Attached as Exhibit G is a true, correct and complete copy of the Affidavit of Publication of Notice of Public Hearing and Consideration of Adoption of a Bond Ordinance in the Hobbs News-Sun on November 29, 2003.

10. Attached as Exhibit H is a true, correct and complete copy of the Issuer's Ordinance No. 58 (the "Bond Ordinance"), recorded in the office of the Lea County Clerk on December 16, 2003 in Ordinance Book 2, at Pages 548-643, authorizing the issuance of the Bond, which ordinance was duly adopted by the Board of County Commissioners of the Issuer (the "Board") at a meeting of the Board held on December 16, 2003.

11. Attached as Exhibit I is a true, correct and complete copy of the Affidavit of Publication of the Notice of Adoption of Ordinance in The Lovington Daily Leader on December 17, 2003.

12. Attached as Exhibit J is a true, correct and complete copy of the Affidavit of Publication of the Notice of Adoption of Ordinance in the Hobbs News-Sun on December 17, 2003.

13. There is no reason within our knowledge why the Issuer may not deliver the Bond in maximum aggregate principal amount of up to \$1,800,000,000.

14. Subsequent to the adoption of the Bond Ordinance, the Issuer has not pledged or otherwise encumbered the "Project Property" as defined in the Lease and Purchase Agreement dated the date hereof (the "Lease") between the Issuer and the Company.

15. No action, suit, proceeding or investigation at law or in equity is now pending or, to our knowledge, is threatened, in any court or before any board or body, challenging, restraining or enjoining the issuance, sale, execution or delivery of the Bond, or the validity of the Bond, the Bond Ordinance, the PILOT Resolution or the Inducement Resolution; nor, to our knowledge, are the titles of the officers of the Issuer or any of them to their respective offices being contested; and no proceedings or authority for the issuance, sale, execution or delivery of the Bond have been or has been repealed, rescinded, revoked, modified, changed or altered by the Issuer in any manner.

16. Regular meetings of the Board, the governing body of the Issuer, have been held and are now scheduled to be held at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico on the first Tuesday of each month commencing at 9:00 a.m. All action of the Board with respect to the Bond, the Bond Ordinance, the PILOT Resolution, and the Inducement Resolution was taken at meetings held in compliance with the Open Meetings Resolutions.

17. The Board has no rules or procedures that would invalidate or make ineffective any of the ordinances, resolutions, motions or other actions taken by the Board in connection with the Bond.

18. The Hobbs Sun-News is a newspaper that maintains an office in the City of Hobbs and is of general circulation in Lea County and the City of Hobbs.

19. The Lovington Daily Leader is a newspaper that maintains an office in the City of Lovington and is of general circulation in the City of Lovington and the City of Tatum.

20. To our knowledge, no member of the Board or any other officer, employee or other agent of the Issuer is interested (except in the performance of his official rights, privileges, powers and duties), directly or indirectly, in the profits of any contract or job or work or services to be performed pertaining to the issuance of the Bond or the Project.

21. To our knowledge as of the date hereof, (i) no Default (as defined in the Indenture dated the date hereof (the "Indenture") among the Issuer, NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), and Bank of Albuquerque, N.A., a national banking association (the "Depository")) or Event of Default (as defined in the Lease) has occurred and is

continuing with respect to the obligations of the Issuer, and (ii) no event has occurred and is continuing with respect to the obligations of the Issuer which, with the lapse of time or the giving of notice or both, would constitute a Default or Event of Default.

22. On or before this date, all actions required to be taken by the Issuer prior to or as of this date in connection with the Bond, the Bond Ordinance, the Indenture, the Lease and that certain Bond Purchase Agreement dated the date hereof among the Issuer, the Purchaser and the Company (the "Bond Purchase Agreement", and together with the Lease and the Indenture, the "Bond Documents") have been taken, and the Issuer has performed or complied with all agreements, covenants and conditions required to be performed or complied with by the Bond Ordinance, the PILOT Resolution, the Inducement Resolution and the Bond Documents as of the date hereof.

23. Each of the representations of the Issuer set forth in the Bond Documents is true and correct in all material aspects on and as of the Closing Date (as defined in the Bond Purchase Agreement), with the same effect as if made on the Closing Date.

24. The Bond Ordinance, the PILOT Resolution, the Inducement Resolution and all other official action of the Issuer relating to the Bond, the Project and the Bond Documents are in full force and effect as of this date, and have not been amended, modified, rescinded or supplemented on or before this date.

25. The Bond and the Bond Documents have been duly executed and delivered on behalf of the Issuer by the officer of the Issuer whose name, office and true signature appears below:

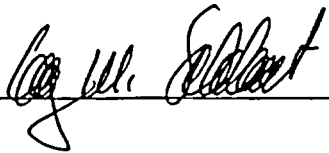
<u>Name</u>	<u>Office</u>	<u>Signature</u>
Harry Teague	Chairman, Board of County Commissioners	

26. Each of the officers of the Issuer whose names, titles and true signatures appear below is an Authorized Issuer Representative (as defined in the Lease):

<u>Name</u>	<u>Office</u>	<u>Signature</u>
Harry Teague	Chairman, Board of County Commissioners	

Gary Schubert

Vice Chairman,
Board of County
Commissioners



27. No litigation is now pending or, to my knowledge, threatened against the Issuer which seeks to or does restrain or enjoin the issuance or delivery of the Bond or execution and delivery of the Bond Documents, or in any manner questions the authority or proceedings for the issuance of the Bond or the execution and delivery of the Bond Documents.

28. This Certificate may be relied upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Issuer's Counsel in providing its Opinion of Counsel to the Issuer in connection with the issuance of the Bond.

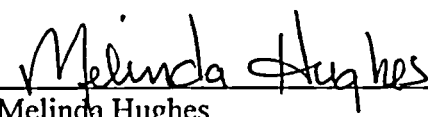
29. This Certificate may be relied upon by Rodey, Dickason, Sloan, Akin & Robb, P.A., in providing its Opinion of Bond Counsel and Opinion of Counsel to the Company and Purchaser in connection with the issuance of the Bond.

Dated: January 22, 2004

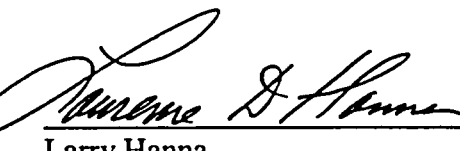
**LEA COUNTY, NEW MEXICO,
a political subdivision of the State of New Mexico
acting through its Board of County
Commissioners**

By: 

Harry Teague
Chairman, Board of County Commissioners

By: 

Melinda Hughes
County Clerk

By: 

Larry Hanna
County Attorney (only as to paragraph 27 of
this Certificate)

EXHIBIT A
OPEN MEETINGS RESOLUTIONS

**RESOLUTION NO. 03-JAN-001R
LEA COUNTY, NEW MEXICO
OPEN MEETINGS AND PROCEDURE**

WHEREAS, Section 10-15-1(B) of the Open Meetings Act (Sections 10-15-1 to -4 NMSA 1978 Comp.) states that, except as may be otherwise provided in the Constitution or the provisions of the Open Meetings Act, all meetings of a quorum of members of any board, council, commission or other policy making body of any state or local public agency held for the purpose of formulating public policy, discussing public business or for the purpose of taking any action within the authority of or the delegated authority of such body, are declared to be public meetings open to the public at all times; and

WHEREAS, any meetings subject to the Open Meetings Act at which the discussion or adoption of any proposed resolution, rule, regulation or formal action occurs shall be held only after reasonable notice to the public; and

WHEREAS, Section 10-15-1(C) of the Open Meetings Act requires the Lea County Board of County Commissioners to determine annually what constitutes reasonable notice of its public meetings; and

WHEREAS, Section 4-38-12 of the Open Meetings Act allows the County Commission to establish rules and regulations to govern the transaction of county business in these meetings.

NOW, THEREFORE, BE IT RESOLVED, that:

1. All meetings shall be held at the Commission Meeting Room at the Lea County Courthouse, Lovington, New Mexico, at 9:00 a.m. or as indicated on the meeting notice.

2. Unless otherwise specified, there will be two regular meetings each month. The first meeting shall be on the first Tuesday of the month. The second meeting date will be set at the close of the first meeting. Notice of regular meetings will be given at least seven (7) days in advance.

3. Special meetings may be called by the Chairman or a majority of the members upon twenty-four hours notice.

4. Emergency meetings will be called only under circumstances which demand immediate action to protect the health, safety and property of citizens. Emergency meetings may be called by the Chairman or a majority of the members upon twelve (12) hours' notice, unless a threat of personal injury, property damage or substantial financial loss require less notice.

5. For the purposes of regular meetings described in paragraph Two of this resolution, notice requirements are met if notice of the date, time, place and general subject matter to be discussed is placed in newspapers of general circulation in the County. In addition, written notice shall be given to those broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation which have made a written request for notice of public meetings.

6. For the purposes of special meetings and emergency meetings described in paragraphs Three and Four of this resolution, notice requirements shall be met by posting notices in the offices of the County Manager, who shall also provide telephonic notice to those broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made a written request for notice of public meetings.

7. The County Commission may close a meeting to the public only if the subject matter of such discussion or action is exempted from the open meeting requirement under Section 10-15-1(H) of the Open Meetings Act.

A. If any meeting is closed during an open meeting, such closure shall be approved by a majority vote of a quorum of the County Commission taken during the open meeting. The authority for the closure and the subjects to be discussed shall be stated in the motion for closure and the vote on

closure of each individual member shall be recorded in the minutes. Only those subjects specified in the motion may be discussed in a closed meeting; and

B. Except as provided in Section 10-15-1(H) of the Open Meetings Act, any action taken as a result of discussions in a closed meeting shall be made by vote of the Commission in an open public meeting.

8. The notice requirements set forth above in paragraphs Two, Three and Four shall apply to all Commissions, Boards or Advisory Committees and groups appointed by the Lea County Board of County Commissioners.

9. A proposed agenda will be available twenty-four (24) hours in advance of regular Commission Meetings from the office of the County Manager located on the fourth floor of the Lea County Courthouse, Lovington, New Mexico. In addition, a printed and prepared County Commission meeting agenda will be sent to all news media agencies and organizations in Lea County, within twenty-four (24) hours prior to regular County Commission meetings. The agenda will indicate the time, date, place and specific items to be discussed during the County Commission meeting, except for emergency matters. The County Commission shall take action only on items appearing on the agenda.

10. All persons, agencies or organizations who desire to discuss public business or matters with the County Commissioners at a County Commission meeting, must make their request to the County Manager prior to the commencement of the County Commission meeting.

11. The request may be oral or in writing and must include the name of the person making the request and the subject on which they wish to address the County. Such persons addressing the Commission will be limited to five (5) minutes.

12. All persons, agencies or organizations who require additional time to discuss public business or matters with the County Commissioners, must make their request, in writing, at least seven (7) days prior to the County Commission meeting. Such persons addressing the Commission will be allowed fifteen (15) minutes.

13. Informal work sessions may be called by agreement of the Board of County Commissioners with notice to the news media. Informal work sessions shall always be open to the public. The Board shall not formulate public policy or take action by vote at informal work sessions. In addition, the Board of County Commissioners herewith serves notice to the public that, during any meeting of the Board, the Board may adjourn into an informal work session for the purpose of lunch or dinner. During the meal, the informal work session may be conducted, provided that no public policy shall be formulated nor conducted by vote. The media and public are invited to attend these sessions at their own expense.

14. Pursuant to Section 10-15-1 (C) of the Open Meetings Act, a member of the Board of County Commissioners, a member of an advisory committee or a member of a Board may participate in a meeting of the commission or committee by means of a conference telephone or other similar communications equipment when it is otherwise difficult or impossible for the member to attend the meeting in person. Each member participating by conference telephone must be identified or identifiable when speaking. All participants must be able to hear each other at the same time. Members of the public attending the meeting must be able to hear any member who speaks during the meeting.

15. The Board of County Commissioners may, by Resolution, adopt rules and regulations regarding the Conduct of the meetings of Board of County Commissioners.

16. Robert's Rules of Order as revised by General Henry N. Robert, are adopted as the rules governing conduct of all meetings of the Board of County Commissioners except as provided by law.

PASSED, APPROVED AND ADOPTED IN OPEN MEETING on this 7th day of January, 2003.

BOARD OF COUNTY COMMISSIONERS
LEA COUNTY, NEW MEXICO

Ross Black
Ross Black, Member

Darold Stephenson, Member

Harry Teague
Harry Teague, Member

Zeak Williams
Zeak Williams, Member

Gary Schubert
Gary Schubert, Member



ATTEST: Melinda Hughes
Lea County Clerk

By Angie Long

5

county/openmeet

CMPR 94 PAGE 523

ATTEST:
Certified this 30th day of December,
2003, as true and correct copy of
the original on file in this office.

MELINDA HUGHES, LEA COUNTY CLERK

Daniel Johnson Deputy

RESOLUTION NO. 04-JAN-001R
LEA COUNTY, NEW MEXICO
OPEN MEETINGS AND PROCEDURE

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WHEREAS, any meetings subject to the Open Meetings Act at which the discussion or adoption of any proposed resolution, rule, regulation or formal action occurs shall be held only after reasonable notice to the public; and

WHEREAS, Section 10-15-1(C) of the Open Meetings Act requires the Lea County Board of County Commissioners to determine annually what constitutes reasonable notice of its public meetings; and

WHEREAS, Section 4-38-12 of the Open Meetings Act allows the County Commission to establish rules and regulations to govern the transaction of county business in these meetings.

NOW, THEREFORE, BE IT RESOLVED, that:

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2. Unless otherwise specified, there will be two regular meetings each month. The first meeting shall be on the first Tuesday of the month. The second meeting date will be set at the close of the first meeting. Notice of regular meetings will be given at least seven (7) days in advance.

3. Special meetings may be called by the Chairman or a majority of the members upon twenty-four hours notice.

4. Emergency meetings will be called only under circumstances which demand immediate action to protect the health, safety and property of citizens. Emergency meetings may be called by the Chairman or a majority of the members upon twelve (12) hours' notice, unless a threat of personal injury, property damage or substantial financial loss require less notice.

5. For the purposes of regular meetings described in paragraph Two of this resolution, notice requirements are met if notice of the date, time, place and general subject matter to be discussed is placed in newspapers of general circulation in the County. In addition, written notice shall be given to those broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation which have made a written request for notice of public meetings.

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7. The County Commission may close a meeting to the public only if the subject matter of such discussion or action is exempted from the open meeting requirement under Section 10-15-1(H) of the Open Meetings Act.

A. If any meeting is closed during an open meeting, such closure shall be approved by a majority vote of a quorum of the County Commission taken during the open meeting. The authority for the closure and the subjects to be discussed shall be stated in the motion for closure and the vote on closure of each individual member shall be recorded in the minutes. Only those subjects specified in the motion may be discussed in a closed meeting; and

B. Except as provided in Section 10-15-1(H) of the Open Meetings Act, any action taken as a result of discussions in a closed meeting shall be made by vote of the Commission in an open public meeting.

8. The notice requirements set forth above in paragraphs Two, Three and Four shall apply to all Commissions, Boards or Advisory Committees and groups appointed by the Lea County Board of County Commissioners.

9. A proposed agenda will be available twenty-four (24) hours in advance of regular Commission Meetings from the office of the County Manager located on the fourth floor of the Lea County Courthouse, Lovington, New Mexico. In addition, a printed and prepared County Commission meeting agenda will be sent to all news media agencies and organizations in Lea County, within twenty-four (24) hours prior to regular County Commission meetings. The agenda will indicate the time, date, place and specific items to be discussed during the County Commission meeting, except for emergency matters. The County Commission shall take action only on items appearing on the agenda.

10. All persons, agencies or organizations who desire to discuss public business or matters with the County Commissioners at a County Commission meeting, must make their request to the County Manager prior to the commencement of the County Commission meeting.

11. The request may be oral or in writing and must include the name of the person making the request and the subject on which they wish to address the County. Such persons addressing the Commission will be limited to five (5) minutes.

12. All persons, agencies or organizations who require additional time to discuss public business or matters with the County Commissioners, must make their request, in writing, at least seven (7) days prior to the County Commission meeting. Such persons addressing the Commission will be allowed fifteen (15) minutes.

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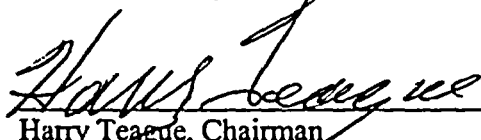
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15. The Board of County Commissioners may, by Resolution, adopt rules and regulations regarding the Conduct of the meetings of Board of County Commissioners.

16. Robert's Rules of Order as revised by General Henry N. Robert, are adopted as the rules governing conduct of all meetings of the Board of County Commissioners except as provided by law.

PASSED, APPROVED AND ADOPTED IN OPEN MEETING on this 13th day of January, 2004.

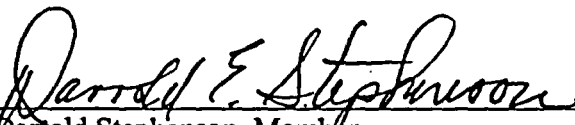
BOARD OF COUNTY COMMISSIONERS
LEA COUNTY, NEW MEXICO


Harry Teague, Chairman


Gary Schubert, Vice-Chairman

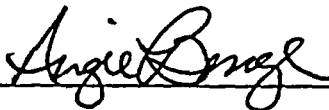

Ross Black, Member


Zeak Williams, Member


Darold Stephenson, Member



ATTEST: Melinda Hughes
Lea County Clerk

By 

county/openmeet

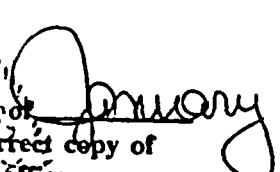
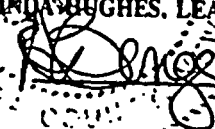
ATTEST: 
Certified this 13th day of January,
2004, as true and correct copy of
the original on file in this office.
MELINDA HUGHES, LEA COUNTY CLERK
 Deputy

EXHIBIT B
INDUCEMENT RESOLUTION

LEA COUNTY, NEW MEXICO

RESOLUTION NO. 03-AUG-027R

DECLARING THE INTENT OF LEA COUNTY, NEW MEXICO, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS, TO ISSUE INDUSTRIAL REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF A PROPOSED PROJECT FOR THE ENRICHMENT OF URANIUM TO BE USED FOR THE GENERATION OF ELECTRICITY AT NUCLEAR POWER PLANTS AND FOR THE PURPOSE OF INDUCING LOUISIANA ENERGY SERVICES, L.P., ITS SUCCESSORS AND ASSIGNS TO LOCATE AND OPERATE SUCH PROJECT WITHIN THE COUNTY OUTSIDE THE BOUNDARIES OF ANY INCORPORATED MUNICIPALITY; AND PROVIDING FOR CERTAIN OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, Lea County (the "County") is a governmental subdivision of the State of New Mexico (the "State"), duly organized and existing pursuant to the Constitution and laws of the State; and

WHEREAS, the County Board of Commissioners (the "Board") is the governing body of the County; and

WHEREAS, pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59, New Mexico Statutes Annotated, 1978 Compilation, as amended (the "Act"), the County is authorized to acquire industrial revenue projects to be located within the County outside the boundaries of any incorporated municipality for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State of New Mexico and promoting a sound and proper balance in the State of New Mexico between agriculture, commerce and industry; and

WHEREAS, Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, the "Company"), has presented to the County a proposal (the "Proposal") whereby in accordance with the Act the County will acquire, by deed or lease, land within the County, and acquire, construct and equip buildings and other improvements on such land, and will acquire and install various equipment (which land, buildings, improvements and equipment will constitute a project (the "Project") as defined in the Act), for the purpose of enriching uranium to provide suitable fuel for the generation of electricity at nuclear power plants, which enrichment shall be in compliance with all applicable Nuclear Regulatory Commission regulations; including but not limited to the establishment of a financial surety bonding mechanism that assures funding will be available for the decontamination of the LES plant as well as the ultimate disposal of all uranium byproduct cylinders; and

WHEREAS, the Proposal proposes the issuance by the County of its taxable Industrial Revenue Bonds (Louisiana Energy Services Project) Series 2003 (the "Bonds") under the Act in an aggregate principal amount not to exceed \$1,800,000,000 to finance all or part of the costs of acquisition, construction and equipping of the Project and certain costs in connection with the authorization, issuance and sale of the Bonds; and

WHEREAS, the issuance of the Bonds by the County to finance all or a part of the Project will constitute one of the inducements whereby the Company will determine to locate its commercial facility in the County; and

WHEREAS, based upon the Company's representations concerning the Project as proposed, including its compliance with all applicable NRC regulations, the County desires to indicate its intent, subject to the conditions provided in Section 5 below, to proceed with the issuance of the Bonds for the financing of the Project pursuant to the terms of an ordinance (the "Bond Ordinance");

WHEREAS, by adopting this Inducement Resolution, the County intends that all costs incurred by the County in connection with the Bonds, including the review and approval of this Inducement Resolution, shall be promptly reimbursed by the Company; and

WHEREAS, the County and the Company understand that the adoption of this Resolution shall not obligate the County to issue the Bonds except in full compliance with the terms of the Bond Ordinance adopted by the County prior to the issuance of the Bonds and related bond documents in form satisfactory to the County.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF LEA COUNTY, NEW MEXICO, THE GOVERNING BODY OF THE COUNTY:

Section 1. Ratification. All actions (not inconsistent with the provisions hereof) heretofore taken by the Board and the officers and officials of the County, related to the purpose of this Resolution, are ratified, approved and confirmed.

Section 2. Intent to Issue Bonds. In order to promote the local health and general welfare, safety, convenience and prosperity of the inhabitants of the County, it is the Commission's intent to take all necessary and advisable steps to effect the issuance of the Bonds, in an aggregate principal amount not to exceed \$1,800,000,000, in order to defray part or all of the costs of the acquisition, construction and equipping of the Project, provided that this expression of intent is conditioned upon the issuance of the Bonds on or before ten years from the date of the adoption of this Resolution, and further provided that issuance of the Bonds is subject to the conditions described in Section 5 hereof.

Section 3. No Pecuniary Liability of the County. The Bonds shall not constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the Constitution or statutes of the State. Nothing in this Resolution or in any other instrument shall be considered as obligating the County to any pecuniary liability or as constituting a charge upon the general credit of the County or against its general revenues or its taxing power. In addition the Company shall indemnify and hold harmless the County, the Board and their respective officers, employees, designated representatives and agents (collectively, the "Indemnified Persons") from and against any liability to the Company or to any third parties that may be asserted against the County with respect to the County's adoption of this Inducement Resolution or the County's ownership of or leasehold interest in the Project or the issuance of the Bonds; provided that such indemnity shall not apply to any liability to the extent it arises from negligence or willful misconduct of the Indemnified Persons. No costs are to be borne by the County and all costs incurred by the County in connection with this Inducement Resolution and

the Bonds, including all preliminary actions taken by or requested of the County by the Company or its agents, are to be promptly reimbursed by the Company.

Section 4. State Tax Matters. The County intends to acquire in its name the Project, including all capital equipment and other tangible personal property used in the Project, and for such acquisitions the County will, consistent with State law, deliver the necessary nontaxable transaction certificates to the Company for delivery to vendors as may be applicable under the New Mexico Gross Receipts and Compensating Tax Act. For this purpose, upon adoption of this Resolution, the County recognizes that an agency relationship shall be deemed to exist between the County and the Company of the type described in 3 NMAC 2.212.22 (pertaining to tax treatment of purchases of tangible personal property in industrial revenue bond projects), and officials of the County are hereby authorized to issue nontaxable transaction certificates to the Company for Project purchases immediately upon the adoption of this Resolution. Such certificates shall not be used other than with respect to such capital equipment and tangible personal property. Prior to the use of such certificates by the Company as agent for the County, the County Manager and the Company will agree to certain procedures regarding the use of the certificates and protection of the County from any unpaid taxes determined to be due to the Taxation and Revenue Department. This Resolution is intended to be an "inducement resolution" as that term is used in, and for the purposes of, 3 NMAC 2.212.22.

Section 5. Issuance of Bonds Conditioned upon Full Review and Approval. The issuance of the Bonds and the execution and delivery of any documents to which the County is a party in connection therewith shall be subject to the approval and authorization by the Board pursuant to the Bond Ordinance, which Bond Ordinance shall be considered following reasonable public notice of the time, date and place of the public hearing be held on the proposed adoption of the Bond Ordinance. In connection with this Resolution, the Board has been informed that the Company has expressed its understanding that a failure or refusal of the Board, however arising, to adopt the Bond Ordinance will have the effect of voiding any benefits to the Company under the Act, including voiding the nontaxable transaction certificates issued to the Company for Project purchases and making such purchases subject to whatever tax would be due if such certificates had not been issued. In addition to such other conditions as the Board may require in connection with the Bond Ordinance, the County's issuance of the Bonds is subject to negotiation of payments in lieu of taxes by the Company to the County in connection with the Project.

Section 6. Authorized Actions. The Chairman of the Board, the County Manager and other appropriate County officials are hereby authorized and empowered to take such steps and to do such things as may be necessary to achieve the purposes of this Resolution.

Section 7. Severance Clause. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

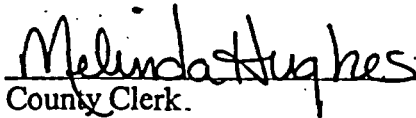
Section 8. Headings. Titles of sections in this Resolution are included for convenience only, and shall not be construed as modifying the text.

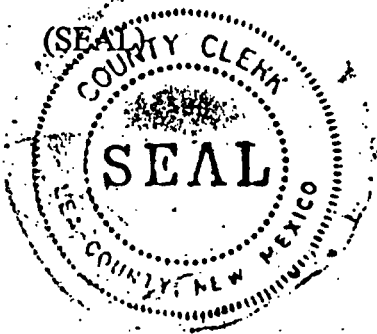
Section 9. Repealer. All orders and resolutions, or parts thereof, in conflict with this Resolution are hereby repealed; however, this repealer shall not be construed to revive any order, resolution or part thereof, heretofore repealed.

Passed, Approved, Signed and Adopted this 5th day of August, 2003.


Chairman of the Board of Commissioners

ATTEST:


County Clerk.



ATTEST:

Certified this 2 day of January
2004, as true and correct copy of
the original on file in this office.

MELINDA HUGHES, LEA COUNTY CLERK

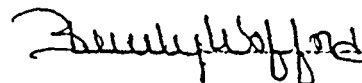
 Deputy

EXHIBIT C
PILOT RESOLUTION

LEA COUNTY, NEW MEXICO

RESOLUTION NO. ~~03-AUG-029R~~

APPROVING IN PRINCIPLE CERTAIN CONTRACTUAL PROVISIONS FOR A PAYMENT IN LIEU OF TAXES WITH RESPECT TO THE COUNTY'S \$1,800,000,000 AGGREGATE PRINCIPAL AMOUNT INDUSTRIAL REVENUE BONDS (LOUISIANA ENERGY SERVICES PROJECT) SERIES 2003.

WHEREAS, Lea County (the "County") is a governmental subdivision of the State of New Mexico (the "State"), duly organized and existing pursuant to the Constitution and laws of the State; and

WHEREAS, the County Board of Commissioners (the "Board") is the governing body of the County; and

WHEREAS, pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59, New Mexico Statutes Annotated, 1978 Compilation, as amended (the "Act"), the County is authorized to acquire industrial revenue projects to be located within the County outside the boundaries of any incorporated municipality for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State of New Mexico and promoting a sound and proper balance in the State of New Mexico between agriculture, commerce and industry; and

WHEREAS, on August 5, 2003 the Board approved County Resolution No. 03-AUG-27R, under which the County declared its intent, subject to the satisfaction of certain conditions, to issue its taxable Industrial Revenue Bonds (Louisiana Energy Services Project) Series 2003 (the "Bonds") in an aggregate principal amount not to exceed \$1,800,000,000 for the purpose of financing an industrial revenue bond project consisting of a uranium enrichment facility (the "Project") to be operated by Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, the "Company"); and

WHEREAS, the Company's proposal for the Bonds and the Project expressed the Company's willingness to enter into negotiations with the County for a suitable payment-in-lieu-of-taxes provision (the "PILOT") to compensate local governmental units for extra costs, if any, arising from the Project; and

WHEREAS, representatives of the County and the Company have negotiated certain details of a PILOT to be included in the Lease and Purchase Agreement (the "Lease") to be entered into between the County and the Company at the time of the issuance of the Bonds.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF LEA COUNTY, NEW MEXICO, THE GOVERNING BODY OF THE COUNTY:

Section 1. Ratification. All actions (not inconsistent with the provisions hereof) heretofore taken by the Board and the officers and officials of the County, related to the purpose of this Resolution, are ratified, approved and confirmed.

Section 2. PILOT Approval. The PILOT attached hereto as Exhibit A is approved in principle; provided, however, that the County and the Company shall agree to the specific provisions of the PILOT in the Bond Ordinance, and by the Lease and other agreements adopted upon the issuance of the Bonds.

Section 3. Authorized Actions. The Chairman of the Board, the County Manager and other appropriate County officials are hereby authorized and empowered to take such steps and to do such things as may be necessary to achieve the purposes of this Resolution.

Section 4. Severance Clause. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 5. Headings. Titles of sections in this Resolution are included for convenience only, and shall not be construed as modifying the text.

Section 6. Repealer. All orders and resolutions, or parts thereof, in conflict with this Resolution are hereby repealed; however, this repealer shall not be construed to revive any order, resolution or part thereof, heretofore repealed.

Passed, Approved, Signed and Adopted this 19th day of August, 2003.


Chairman of the Board of Commissioners

ATTEST: MELINDA HUGHES
LEA COUNTY CLERK


Deputy



Exhibit A

Section _____. Payment in Lieu of Taxes.

a. The Issuer and the Company acknowledge that during the Term the Project Property will be exempt from property taxation pursuant to Article VIII, Section 3 of the State constitution and Section 7-36-3 NMSA 1978. Notwithstanding the foregoing, the Company will pay payments in lieu of property tax ("PILOTs") as provided in subsections (b) and (c) of this Section.

b. Subject to the provisions of subsection (c) of this Section, the Company shall pay to the Issuer, on each date the Company would have been required to pay property taxes if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer, an amount equal to twenty percent of the total amount of property tax (i.e., the tax arising from the combined levies of all taxing entities whose taxing jurisdiction encompasses the Project Site) that would have been due on such date if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer. The amounts of the PILOT pursuant to this subsection (b) (the "Main PILOT") shall be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year with respect to the Project Property if the Bond had not been issued by the Issuer. The property tax valuation for the Project Property for each tax year shall be determined by the Lea County Assessor (the "Assessor") using information provided by the Company and such other information obtained from other sources as is deemed relevant by the Assessor. The Company shall provide the Assessor all information that the Assessor may lawfully require for the purpose of determining the assessed valuation the Project Property from year to year. The Company may challenge the valuation determined by the Assessor on the same grounds as would be available to it if it were liable for property tax for the Project Property; provided, however, that no payment of the Main PILOT shall be delayed by reason of a dispute of the valuation of the Project Property. In the event of a dispute concerning the valuation, the Company shall pay the Main PILOT calculated according to the most recent undisputed valuation of the Project Property, and when the dispute is resolved shall pay an amount (or receive a credit, as applicable, against future Main PILOT payments) equal to the difference between the adjusted amount of the Main PILOT and the amount already paid, in accordance with the valuation determined through the dispute resolution or adjudication, as applicable. The Main PILOT shall be paid directly to the Issuer, and the Company shall have no responsibility for the Issuer's use or distribution of such amounts.

c. The parties anticipate that the City of Eunice (the "City") will construct water and sewer lines connecting the Project with the City's water and sewer utilities. The Company shall pay the pre-construction engineering and design costs for such lines as they become due and payable, up to an amount of \$125,000. The Company shall further pay all of the right of way acquisition, construction services and materials costs for such lines, as they become due and payable (the "Pipeline PILOT"). Fifty percent of the amount paid as the Pipeline PILOT shall be credited against the Main PILOT in equal amounts per year over a period of five years, beginning in the tax year immediately following final payment of the last amount of the Pipeline PILOT; provided, however, that if the amount of the Pipeline PILOT to be credited in any year exceeds the amount of the Main PILOT for that year, then the excess amount of the credit shall be carried forward and applied against the first available amount of Main PILOT in succeeding

years. The Company's payment of the pre-construction engineering and design costs and the Pipeline PILOT under this subsection may be paid to the City or directly to the entities furnishing such engineering and design, right of way acquisition, construction services and materials at the discretion of the Company. Satisfactory written evidence of such payments shall be promptly furnished to the City and the Issuer.

APPROVED AND FORWARDED:

CITY OF CHICAGO
OFFICE OF THE COMPTROLLER
FISCAL YEAR 2000
APPROVED AND FORWARDED:

CITY OF CHICAGO
OFFICE OF THE COMPTROLLER
FISCAL YEAR 2000

ATTEST:

Certified this 2 day of January
2004, as true and correct copy of
the original on file in this office.

MELINDA HUGHES, LEA COUNTY CLERK

Bruce W. Hoff Deputy

EXHIBIT D

**NOTICE OF CONSIDERATION OF ORDINANCE AUTHORIZING
ISSUANCE OF AN INDUSTRIAL REVENUE BOND BY LEA COUNTY
TO THE CITY OF HOBBS**

Dennis M. Holmberg
Lea County Manager



100 North Main, Suite 4
Lovington, NM 88260

November 10, 2003

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Robert P. Wallach, Mayor
Gary W. Fonay, Commissioner
Mark E. Bawcum, Commissioner
Hector M. Ramirez, Commissioner
Joseph D. Calderon, Commissioner
Monty D. Newman, Commissioner
John W. Boyd, Commissioner
City of Hobbs
City Hall, Office 155
300 N. Turner
Hobbs, New Mexico 88240

Re: Notice of Consideration of Ordinance Authorizing Issuance of an
Industrial Revenue Bond by Lea County, Pursuant to Section 4-59-4.1
NMSA 1978, as Amended

Dear Mayor and Commissioners:

Notice is hereby given to the City of Hobbs (the "City") pursuant to Section 4-59-4.1 NMSA 1978, as amended, of the intention of the Board of Commissioners of Lea County, New Mexico (the "Board") to consider for adoption a bond ordinance (the "Ordinance") relating to the authorization and issuance by Lea County, New Mexico (the "County") of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond"). The Ordinance authorizes the issuance of an industrial revenue bond for the purpose of financing the acquisition, construction and installation of a uranium enrichment facility (the "Project") within the jurisdictional limits of the County. The Project will be owned and operated by Louisiana Energy Services, L.P. and will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry.

Notice is further given that under the County's current timetable for approval, the Board will consider the proposed Ordinance at its regular meeting to be held at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260 (the "Courthouse") on December 16, 2003 at the hour of 9:00 a.m.

Please be advised that under Section 4-59-4.1, the City may forward to the Board any comments and concerns it has regarding the Ordinance and issuance of the Bond.



Although the Board encourages the City to forward any comments and/or concerns the City may have for its consideration, under Section 4-59-4.1(B), no approval of the City is required in connection with the adoption of the Ordinance and issuance of the Bond by the County.

It is the Board's understanding that, pursuant to said Section 4-59-4.1(C), the County and the City, as the largest municipality located within the County, are to jointly develop criteria for the issuance of industrial revenue bonds that are authorized by either the County or the City. The Board further understands that, as of the date hereof, no such criteria has been developed. Please be advised, however, that the County may proceed with the authorization and issuance of industrial revenue bonds, including the Bond, before development of the criteria is completed.

For purposes of assisting in your review of the Ordinance, I have enclosed a copy of a Notice of Public Hearing and Consideration and Adoption of a Bond Ordinance ("Notice"), which is attached to a resolution adopted by the Board at its November 4, 2003 regular meeting, authorizing and directing publication of the Notice. Complete copies of the proposed Ordinance, as well as drafts of the transaction documents referred to in, and approved under, the Ordinance, will be available from and after December 2, 2003, for the City's inspection during normal and regular business hours of the Lea County Clerk, at the Courthouse, upon request. Any copying charges for a set of these documents will be paid or reimbursed to the City by the County.

Following the issuance of the Bond, the County will notify the Board and the Lea County Assessor when the Bond matures, expires or has been replaced by a refunding bond as required by Section 4-59-4.1(D).

Please call me if you have any questions or comments regarding the information contained herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis M. Holmberg", is written over the typed name and title.

Dennis Holmberg
County Manager

Enclosure

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

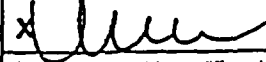
The Honorable Robert Wallace
City of Hobbs
300 N. Turner
Hobbs, NM 88240

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Dollie Maldonado 10

C. Signature

X ☐ Agent
☐ AddresseeD. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

EXHIBIT E

**NOTICE OF CONSIDERATION OF ORDINANCE AUTHORIZING
ISSUANCE OF AN INDUSTRIAL REVENUE BOND BY LEA COUNTY
TO THE LEA COUNTY ASSESSOR**

Dennis M. Holmberg
Lea County Manager



100 North Main, Suite 4
Lovington, NM 88260

November 10, 2003

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Shirley Tyler
Lea County Assessor
100 North Main Street
Lovington, New Mexico 88260

Re: Notice of Consideration of Ordinance Authorizing Issuance of an
Industrial Revenue Bond by Lea County, Pursuant to Section 4-59-4.1
NMSA 1978, as Amended

Dear Ms. Tyler:

Notice is hereby given to you as Lea County Assessor, pursuant to Section 4-59-4.1 NMSA 1978, as amended, of the intention of the Board of Commissioners of Lea County, New Mexico (the "Board") to consider for adoption a bond ordinance (the "Ordinance") relating to the authorization and issuance by Lea County, New Mexico (the "County") of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond"). The Ordinance would authorize the issuance of an industrial revenue bond for the purpose of financing the acquisition, construction and installation of a uranium enrichment facility (the "Project") within the jurisdictional limits of the County. The Project will be owned and operated by Louisiana Energy Services, L.P. and enrich uranium to be used to generate electricity as a service to the nuclear power plant industry.

Notice is further given that under the County's current timetable for approval, the Board will consider the proposed Ordinance at its regular meeting to be held at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260 (the "Courthouse") on December 16, 2003 at the hour of 9:00 a.m.

Please be advised that in your capacity as Lea County Assessor, you may forward to the Board any comments and concerns you may have regarding the Ordinance and issuance of the Bond in accordance with Section 4-59-4.1.

Although the Board encourages you to forward any comments and/or concerns you may have for its consideration, under Section 4-59-4.1(B), no approval of the County Assessor is



required in connection with the adoption of the Ordinance and issuance of the Bond by the County.

It is the Board's understanding that, pursuant to said Section 4-59-4.1(C) NMSA 1978, as amended, the County and the City of Hobbs (the "City"), as the largest municipality located within the County, are to jointly develop criteria for the issuance of industrial revenue bonds that are authorized by either the County or the City. The Board further understands that, as of the date hereof, no such criteria has been developed. Please be advised, however, that the County may proceed with the authorization and issuance of industrial revenue bonds, including the Bond, before development of the criteria is completed.

For purposes of assisting in your review of the Ordinance, I have enclosed a copy of a Notice of Public Hearing and Consideration and Adoption of a Bond Ordinance ("Notice"), which is attached to a resolution adopted by the Board at its November 4, 2003 regular meeting, authorizing and directing the publication of the Notice. Complete copies of the proposed Ordinance, as well as drafts of the transaction documents referred to in, and approved under, the Ordinance, will be available from and after December 2, 2003, for your inspection during normal and regular business hours of the Lea County Clerk, at the Courthouse, upon request. Any copying charges for a set of these documents will be paid or reimbursed to your office by the County.

Following the issuance of the Bond, the County will notify the Board and the Lea County Assessor when the Bond matures, expires or has been replaced by a refunding bond as required by Section 4-59-4.1(D).

Please call me if you have any questions or comments regarding the information contained herein.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Dennis M. Holmberg', is written over a horizontal line.

Dennis Holmberg
County Manager

Enclosure

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

The Honorable Shirley Tyler
Lea County Courthouse
100 N. Main
Lovington, NM 88260

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Shirley Tyler

11-12-88

C. Signature

Shirley Tyler

☐ Agent

☒ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☐ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

EXHIBIT F

**AFFIDAVIT OF PUBLICATION OF NOTICE OF
PUBLIC HEARING AND CONSIDERATION OF
ADOPTION OF A BOND ORDINANCE
FROM THE LOVINGTON DAILY LEADER**

Affidavit of Publication

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of THE LOVINGTON DAILY LEADER, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled Notice Of Public Hearing And Consideration Of Adoption Of A Bond Ordinance

was published in a regular and entire issue of THE LOVINGTON DAILY LEADER and not in any supplement thereof, for one (1) day, beginning with the issue of November 25, 2003 and ending with the issue of November 25, 2003.

And that the cost of publishing said notice is the sum of \$ 134.95 which sum has been (Paid) as Court Costs.

Subscribed and sworn to before me this 1st day of December 2003.

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2006

LEA COUNTY,
NEW MEXICO

NOTICE OF PUBLIC HEARING AND CONSIDERATION OF ADOPTION OF A BOND ORDINANCE

The County Board of Commissioners of Lea County, New Mexico (the "County"), hereby gives notice of its regular meeting to be held at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260, on December 16, 2003, at the hour of 9:00 a.m. (local time). At such meeting, the County Board of Commissioners will consider for adoption a proposed bond ordinance (the "Ordinance") relating to the authorization and issuance by the County of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004. All interested citizens are invited to attend the meeting.

The title of the proposed Ordinance is:

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN INDENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT; MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

The following is a general summary of the subject matter contained in the Ordinance.

The recitals state that Lea County, New Mexico (the "County") is authorized under the County Industrial Revenue Bond Act (the "Act") to issue industrial revenue bonds to acquire industrial development projects located within the County and not within the boundaries of

pality in the County; that Louisiana Energy Services, L.P. (the "Company") has delivered a proposal (the "Proposal") that the County issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in an amount not to exceed \$1,800,000,000 (the "Bond"), to finance the acquisition, construction and installation by the County of certain property (the "Project Property") to be located on the north side of State Highway 176, on a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of State Highway 176 and State Highway 234 within the jurisdictional limits of the County, that will enrich uranium to be used to generate electricity, as a service to the nuclear power plant industry; that the Project Property would be leased and sold to the Company under a certain Lease and Purchase Agreement between the County and the Company (the "Lease"); that the Bond would be issued pursuant to the provisions of an Indenture among the County, the bond purchaser (the "Purchaser"), and a trust depository (the "Indenture"); that the Bond would be sold to the Purchaser pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"), and together with the Bond, the Lease and the Indenture, the "Bond Documents") between the County, the Company and the Purchaser; that the Board of Commissioners of the County ("Board") has concluded that the benefits to the County of issuing the Bond are substantial and that the issuance of the Bond will constitute a valid public purpose under the Act; and that notice of the Board's intention to consider adoption of the Ordinance was published in conformance with legal requirements.

Sections 1 through 3 ratify previous action taken in connection with the issuance of the Bond; approve the Proposal; authorize the acquisition, lease and sale of the Project Property; and provide that the Project Property shall be located within the County and not within the boundaries of any incorporated municipality of the County.

Sections 4 through 6 authorize the issuance of the Bond in a principal amount not to exceed \$1,800,000,000; approve the form and terms of the Bond; provide that the Bond shall mature on the

issuance date of the Bond in 2034 and shall bear interest as provided in the Indenture; provide that other details of the Bond shall be provided in the Indenture; approve the sale of the Bond on the terms set forth in the Bond Purchase Agreement; and make certain findings and determinations pursuant to the Act, including the maximum annual amounts necessary for debt service on the Bond, that the Company shall maintain the Project Property and carry all property insurance (or self-insure), that the rentals under the Lease shall be sufficient to pay all debt service on the Bond, and that no reserve fund will be necessary to retire the Bond or to maintain the Project Property.

Sections 7 through 9 approve the forms of the Bond Documents; authorize and direct County officials to execute and deliver the Bond Documents; authorize County officials to execute and deliver other documents and to take such other actions as are reasonably necessary to effectuate the Ordinance; provide that the Bond shall be a special limited obligation of the County, payable solely as provided in the Indenture; state that the Bond shall never constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the New Mexico constitution; and provide that the Bond shall never give rise to a pecuniary liability of the County or a charge against the County's general credit or taxing power.

Sections 10 through 14 approve the provisions of the Lease requiring payments in lieu of taxes; provide that the Ordinance shall be irrevocable while the Bond is outstanding; provide severability and repealer provisions; direct the authentication and recording of the Ordinance; and provide for the publication of notice of the adoption of the Ordinance.

Complete copies of the proposed Ordinance are available for public inspection during normal and regular business hours of the County Clerk, at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260, and copies are available upon request and payment of a reasonable charge.

This notice is published pursuant to Section 4-37-7 and 4-37-9 NMSA 1978, as amended. Published in the Lovington Daily Leader November 25, 2003.

EXHIBIT G

**AFFIDAVIT OF PUBLICATION OF NOTICE OF
PUBLIC HEARING AND CONSIDERATION OF
ADOPTION OF A BOND ORDINANCE
FROM THE HOBBS SUN-NEWS**

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, KATHI BEARDEN

Publisher

of the Hobbs News-Sun, a
newspaper published at
Hobbs, New Mexico, do solemnly
swear that the clipping attached
hereto was published once a
week in the regular and entire
issue of said paper, and not a
supplement thereof for a period.

of _____ 1 _____
_____ weeks.

Beginning with the issue dated
November 29 2003
and ending with the issue dated

November 29 2003

Kathi Bearden

Publisher

Sworn and subscribed to before

me this 17th day of

December 2003

Myra M. Powers
Notary Public.

My Commission expires
November 27, 2004
(Seal)

This newspaper is duly qualified
to publish legal notices or adver-
tisements within the meaning of
Section 3, Chapter 167, Laws of
1937, and payment of fees for
said publication has been made.

LEGAL NOTICE
November 29, 2003

LEA COUNTY, NEW MEXICO

NOTICE OF PUBLIC HEARING AND CONSIDERATION OF ADOPTION OF A BOND ORDINANCE

The County Board of Commissioners of Lea County, New Mexico (the "County") hereby gives notice of its regular meeting to be held at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260, on December 16, 2003, at the hour of 9:00 a.m. (local time). At such meeting, the County Board of Commissioners will consider for adoption a proposed bond ordinance (the "Ordinance") relating to the authorization and issuance by the County of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004. All interested citizens are invited to attend the meeting.

The title of the proposed Ordinance is:

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN INDENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT; MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

The following is a general summary of the subject matter contained in the Ordinance.

The recitals state that Lea County, New Mexico (the "County") is authorized under the County Industrial Revenue Bond Act (the "Act") to issue industrial revenue bonds to acquire industrial development projects located within the County and not within the boundaries of any incorporated municipality in the County; that Louisiana Energy Services, L.P. (the "Company") has delivered a proposal (the "Proposal") that the County issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in an amount not to exceed \$1,800,000,000 (the "Bond"), to finance the acquisition, construction and installation by the County of certain property (the "Project Property") to be located on the north side of State Highway 176, on a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of State Highway 176 and State Highway 234 within the jurisdictional limits of the County, that will enrich uranium to be used to generate electricity, as a service to the nuclear power plant industry; that the Project Property would be leased and sold to the Company under a certain Lease and Purchase Agreement between the County and the Company (the "Lease"); that the Bond would be issued pursuant to the provisions of an Indenture among the County, the bond purchaser (the "Purchaser"), and a trust depository (the "Indenture"); that the Bond would be sold to the Purchaser pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"), and together with the Bond, the Lease and the Indenture, the "Bond Documents") between the County, the Company and the Purchaser; that the Board of Commissioners of the County ("Board") has concluded that the benefits to the County of issuing the Bond are substantial and that the issuance of the Bond will constitute a valid public purpose under the Act; and that notice of the Board's intention to consider adoption of the Ordinance was published in conformance with legal requirements.

Sections 1 through 3 ratify previous action taken in connection with the issuance of the Bond; approve the Proposal; authorize the acquisition, lease and sale of the Project Property; and provide that the Project Property shall be located within the County and not within the boundaries of any incorporated municipality of the County.

Sections 4 through 6 authorize the issuance of the Bond in a principal amount not to exceed \$1,800,000,000; approve the form and terms of the Bond; provide that the Bond shall mature on the anniversary of the issuance date of the Bond in 2034 and shall bear interest as provided in the Indenture; provide that other details of the Bond shall be provided in the Indenture; approve the sale of the Bond on the terms set forth in the Bond Purchase Agreement; and make certain findings and determinations pursuant to the Act, including the maximum annual amounts necessary for debt service on the Bond, that the Company shall maintain the Project Property and carry all property insurance (or self-insure), that the rentals under the Lease shall be sufficient to pay all debt service on the Bond, and that no reserve fund will be necessary to retire the Bond or to maintain the Project Property.

Sections 7 through 9 approve the forms of the Bond Documents; authorize and direct County officials to execute and deliver the Bond Documents; authorize County officials to execute and deliver other documents and to take such other actions as are reasonably necessary to effectuate the Ordinance; provide that the Bond shall be a special limited obligation of the County, payable solely as provided in the Indenture; state that the Bond shall never constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the New Mexico constitution; and provide that the Bond shall never give rise to a pecuniary liability of the County or a charge against the County's general credit or taxing power.

Sections 10 through 14 approve the provisions of the Lease requiring payments in lieu of taxes; provide that the Ordinance shall be irrevocable while the Bond is outstanding; provide severability and repealer provisions; direct the authentication and recording of the Ordinance; and provide for the publication of notice of the adoption of the Ordinance.

Complete copies of the proposed Ordinance are available for public inspection during normal and regular business hours of the County Clerk, at the Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260, and copies are available upon request and payment of a reasonable charge.

This notice is published pursuant to Section 4-37-7 and 4-37-9 NMSA 1978, as amended.
#20281

01100088000 02567756
Lea County Courthouse Legals*
100 N. Main, Suite 11
Lovington, NM 88260

EXHIBIT H
BOND ORDINANCE

49129

LEA COUNTY, NEW MEXICO

ORDINANCE NO. 58

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN INDENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT; MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

WHEREAS, Lea County (the "County") is a governmental subdivision of the State of New Mexico ("State"), duly organized and existing pursuant to the constitution and laws of the State; and

WHEREAS, pursuant to Chapter 4, Article 59 New Mexico Statutes Annotated, 1978 Compilation, as amended (the "County Industrial Revenue Bond Act"), the County is authorized to issue industrial revenue bonds and to use the proceeds of such bonds to acquire industrial development projects to be located within the County and not within the boundaries of any incorporated municipality within the County for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State and promoting a sound and proper balance in the State between agriculture, commerce and industry; and

WHEREAS, Louisiana Energy Services, L.P., a Delaware limited partnership has presented to the County Board of Commissioners (the "Board") a proposal (the "Proposal") pursuant to which the County would (a) issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond"), and (b) acquire rights to occupy and use approximately 542.80 acres of land located on the north side of State Highway 176, on a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of State Highway 176 and State Highway 234 within the jurisdictional limits of the County (the "Project Site"), and buildings, structures, other improvements and furnishings, fixtures and equipment (collectively, the "Improvements") in connection with the construction and establishment of a uranium enrichment facility (the "Project") within the jurisdictional limits of the County; and

WHEREAS, the Project will qualify as a "project" within the meaning of the County Industrial Revenue Bond Act by reason of the fact that the Project will enrich uranium to be used to generate the electricity, as a service to the nuclear power plant industry; and

WHEREAS, under the Proposal, Louisiana Energy Services, L.P., together with its successors and assigns (the "Company") will enter into a Lease and Purchase Agreement (the "Lease") between the County and the Company and dated the issuance date of the Bond (the "Closing Date"), pursuant to which the Company will lease and purchase the interests of the County in the Project Site and the Improvements (collectively, the "Project Property") from the County; and

WHEREAS, pursuant to the provisions of the Lease, the Company will make payments to the Purchaser, defined below, sufficient to pay the principal of, redemption premium, if any, and interest on the Bond and to pay all other obligations incurred pursuant to the provisions of the Lease, the Indenture, defined below, and this Bond Ordinance (this "Ordinance"); and

WHEREAS, the proceeds of the Bond shall be used for the purpose of financing the acquisition, construction and installation of the Project Property; and

WHEREAS, the County is authorized to enter into the Bond Documents, defined below, and other related documents and to issue the Bond pursuant to the laws of the State (including the County Industrial Revenue Bond Act), the constitution of the State and this Ordinance (collectively, the "Act") and pursuant to an Indenture (the "Indenture") dated the Closing Date among the County, the Purchaser, and the depository identified in the Indenture (the "Depository"); and

WHEREAS, after having considered the Proposal, the Board has concluded that the economic and other benefits to the County will be substantial and that it is desirable and necessary at this time to authorize the issuance of the Bond and that the County's issuance of the Bond will constitute a valid public purpose under the Act; and

WHEREAS, the Bond, in principal amount not to exceed \$1,800,000,000 will be issued, sold and delivered by the County pursuant to the Act; and

WHEREAS, the Company shall cause an entity related to or affiliated with the Company to be subsequently specified (the "Purchaser"), to purchase the Bond at a private sale pursuant to the terms of a proposed Bond Purchase Agreement to be entered into among the Purchaser, the County and the Company (the "Bond Purchase Agreement"); and

WHEREAS, the County has been advised by the Company that the disclosure provisions of Rule 15c2-12 of the Securities and Exchange Commission are not applicable to this transaction because the Bond is being sold in a private sale without participation of an underwriter; and

WHEREAS, the County has caused to be published in the Hobbs News-Sun and the Lovington Daily Leader, newspapers of general circulation in the County, public notice of the Board's intention to adopt this Ordinance, which notice contained certain information concerning the ownership, purpose, location and size of the Project Property and the maximum amount of the Bond, which notice was published in conformance with legal requirements; and

WHEREAS, there have been filed with the County Clerk and presented to the Board the forms of the Indenture, the Lease and the Bond Purchase Agreement (the Lease, the Indenture and the Bond Purchase Agreement are collectively referred to as the "Bond Documents").

BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF LEA COUNTY, THE GOVERNING BODY OF THE COUNTY:

Section 1. Ratification. All actions not inconsistent with the provisions of this Ordinance previously taken by the Board and the officials of the County directed toward the sale and issuance of the Bond and the lease and sale of the Project Property, including, without limitation, Resolution No. 03-NOV-039R, adopted November 4, 2003, authorizing the publication of public notice as set forth above and Resolution No. 03-Aug-027R, adopted August 5, 2003, expressing the intent of the County to proceed with issuance of the Bond in connection with the financing of the Project (the "Inducement Resolution"), are approved and ratified.

Section 2. Approval of Proposal. The Proposal is hereby approved in all respects.

Section 3. The Project. The County shall acquire the Project Property by deed and other instruments, as appropriate, and shall lease and sell the Project Property to the Company for use in connection with the operation of the Project. The Project Property shall be located within the County and not within the boundaries of any incorporated municipality in the County.

Section 4. Authorization and Approval of Bond. To finance the cost of the acquisition, construction and installation of the Project Property, the County hereby authorizes the issuance and sale of an industrial revenue bond to be designated "Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004" in a principal amount not to exceed \$1,800,000,000. The County shall finance the acquisition, construction and installation of the Project Property by depositing or causing the deposit of the proceeds of the sale of the Bond with the Depository in accordance with the Indenture.

Section 5. Form and Terms of Bond. The Bond shall be issued in registered form, without coupons, and shall be dated and sold subject to the terms and conditions of the Indenture and the Bond Purchase Agreement. The Bond shall be delivered to the Purchaser on the Closing Date and shall mature on the anniversary in 2034 of the Closing Date (the "Maturity Date"), and shall bear interest at the rate of 5% per annum. The Bond shall be in substantially the form provided in the Indenture, shall be dated the date of delivery to the Purchaser, and shall be subject to such other terms and conditions, including but not limited to mandatory or optional redemption, as are provided in the Indenture. Interest on outstanding principal amounts and installment payments of principal of this Bond shall be payable on each anniversary of the Closing Date while the Bond is outstanding, including the Maturity Date, as provided in the payment schedule attached to the form of Bond; provided that the final payment of principal plus accrued interest on the Bond shall be due no later than the Maturity Date. The sale of the Bond on the terms set forth in the Bond Purchase Agreement is hereby approved.

Section 6. Findings Regarding Payment of Interest and Principal and Other Matters. The Board makes the following determinations and findings in accordance with the Act:

(A) The amounts necessary in each year to pay the principal and installments of interest on the Bond, assuming funding of the maximum principal amount of the Bond upon issuance at an interest rate of 5% per annum, will be no more than the following:

<u>Annual Calendar Period to and Including the Anniversary of the Closing Date Occurring in</u>	<u>Principal Payments Required in Such Period</u>	<u>Maximum Interest for Such Period</u>	<u>Total Debt Service Required</u>
2005	\$-0-	\$90,000,000	\$90,000,000
2006	\$-0-	\$90,000,000	\$90,000,000
2007	\$-0-	\$90,000,000	\$90,000,000
2008	\$-0-	\$90,000,000	\$90,000,000
2009	\$-0-	\$90,000,000	\$90,000,000
2010	\$-0-	\$90,000,000	\$90,000,000
2011	\$-0-	\$90,000,000	\$90,000,000
2012	\$-0-	\$90,000,000	\$90,000,000
2013	\$-0-	\$90,000,000	\$90,000,000
2014	\$-0-	\$90,000,000	\$90,000,000
2015	\$-0-	\$90,000,000	\$90,000,000
2016	\$-0-	\$90,000,000	\$90,000,000
2017	\$-0-	\$90,000,000	\$90,000,000
2018	\$-0-	\$90,000,000	\$90,000,000
2019	\$-0-	\$90,000,000	\$90,000,000
2020	\$-0-	\$90,000,000	\$90,000,000
2021	\$-0-	\$90,000,000	\$90,000,000
2022	\$-0-	\$90,000,000	\$90,000,000
2023	\$-0-	\$90,000,000	\$90,000,000
2024	\$-0-	\$90,000,000	\$90,000,000
2025	\$-0-	\$90,000,000	\$90,000,000
2026	\$-0-	\$90,000,000	\$90,000,000
2027	\$-0-	\$90,000,000	\$90,000,000
2028	\$-0-	\$90,000,000	\$90,000,000
2029	\$-0-	\$90,000,000	\$90,000,000
2030	\$-0-	\$90,000,000	\$90,000,000
2031	\$-0-	\$90,000,000	\$90,000,000
2032	\$-0-	\$90,000,000	\$90,000,000
2033	\$-0-	\$90,000,000	\$90,000,000
2034	\$1,800,000,000	\$90,000,000	\$1,890,000,000

(B) The terms under which the Project Property is leased shall provide that the Company shall maintain the Project Property and carry all property insurance as set forth in the proposed Lease, with respect to the Project Property.

(C) The rentals payable under the Lease shall be at least sufficient to pay the amounts set forth in paragraph (A) of this Section 6 (assuming the Bond is funded up to the maximum principal amount), and otherwise to render the financing of the acquisition of the Project Property entirely self-liquidating.

(D) The amount necessary to be paid each year into any reserve fund used to retire the Bond or maintain the Project Property is zero.

Section 7. Approval of Documents; Authorization of Officers. The Board approves the forms, terms and provisions of the Indenture, the Bond, the Lease and the Bond Purchase Agreement, and the County shall enter into such documents substantially in the forms of each of such documents presented at the meeting at which this Ordinance was adopted, with only such changes as are approved by the Chairman or Vice Chairman of the Board of Commissioners (whose signature thereon shall be evidence of his approval) or such other changes as may be approved by supplemental resolution of the Board, provided that such changes are not inconsistent with this Ordinance. The Board authorizes the Chairman or Vice Chairman of the Board of Commissioners and the County Clerk or a Deputy County Clerk to execute and deliver such documents and the Bond bearing interest at the rate of 5% per annum. The Board also authorizes the County without further action of the Board, to enter into any amendments to the Indenture, the Bond, the Lease and the Bond Purchase Agreement or agreements or other documents as requested by the Company or a lender or other entity providing all or part of the financing for the Project, provided any such amendments or agreements are not inconsistent with this Ordinance. The Chairman or Vice Chairman of the Board of Commissioners are authorized to execute and deliver any such amendments or agreements on behalf of the County.

Section 8. Actions to be Taken. The officers of the County shall take such action as is reasonably required by the Indenture to effectuate its provisions and for carrying out other transactions as contemplated by this Ordinance, the Indenture, the Lease and the Bond Purchase Agreement, including without limitation the execution and delivery of any closing documents conforming to the Bond Purchase Agreement to be delivered in connection with the sale and delivery of the Bond.

Section 9. Limited Obligation. The Bond shall be a special limited obligation of the County, payable solely as defined in the Indenture, and shall never constitute a debt or indebtedness of the County or the State or any political subdivision thereof within the meaning of any provision or limitation of the State Constitution or statutes and shall not constitute or give rise to any pecuniary liability of the County or a charge against its general credit or taxing power. Nothing contained in this Ordinance, the Bond, the Bond Documents or any other instrument pertaining to the Bond or the Project shall be construed as obligating the County (except with respect to the Project Property and the application of the revenues therefrom and the proceeds of the Bond, all as provided in the Bond Documents), nor as incurring a pecuniary liability or a charge upon the general credit of the County or against its taxing power; nor shall the breach of

any agreement contained in this Ordinance, the Bond, the Bond Documents, or any other instrument pertaining to the Bond or the Project be construed as obligating the County (except with respect to the Project Property and the application of the revenues therefrom and the proceeds of the Bond, all as provided in the Bond Documents), nor as incurring a pecuniary liability or a charge upon the general credit of the County or against its taxing power. Under the County Industrial Revenue Bond Act, the County has no power to, and shall not, pay out of its general funds or otherwise contribute any part of the costs of acquisition, construction, or installation of the Project Property. The County shall not operate the Project Property as a business or in any manner except as lessor of the Project Property pursuant to the County Industrial Revenue Bond Act.

Section 10. Approval of PILOT Payments. The Board specifically approves the provisions of Section 6.11 of the Lease relating to payments by the Company in lieu of taxes for distribution to the County and to the City of Eunice, New Mexico, or for the benefit of the City of Eunice, as applicable, all as provided in such Section 6.11.

Section 11. Bond Ordinance Irrepealable. After the Bond is issued, this Ordinance shall be and remain irrepealable until the Bond and the interest thereon shall have been duly paid, cancelled and discharged or there has been a defeasance of the Bond in accordance with the Indenture.

Section 12. Severability. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13. Repealer. All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent with this Ordinance are repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

Section 14. Recording; Authentication; Publication; Effective Date. This Ordinance, immediately upon its final passage and approval, shall be recorded in the ordinance book of the County, kept for that purpose, and shall be there authenticated by the signature of the Chairman and the County Clerk. This Ordinance shall be in full force and effect 30 days after such recordation. The title and a general summary of this subject matter contained in this Ordinance shall be published in substantially the following form:

(Form of Summary of Ordinance for Publication)

LEA COUNTY, NEW MEXICO

Notice of Adoption of Ordinance

Notice is hereby given of the title and a general summary of the subject matter contained in Ordinance No. _____, duly adopted and approved by the Board of Commissioners of Lea

County, New Mexico on December 16, 2003 (the "Ordinance"), relating to the authorization and issuance of the County's Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond"). Complete copies of the Ordinance are available for public inspection during normal and regular business hours of the County Clerk at Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260.

The title of the Ordinance is:

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN INDENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT; MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

The following is a general summary of the subject matter contained in the Ordinance.

The recitals state that Lea County, New Mexico (the "County") is authorized under the County Industrial Revenue Bond Act (the "Act") to issue industrial revenue bonds to acquire industrial development projects located within the County and not within the boundaries of any incorporated municipality in the County; that Louisiana Energy Services, L.P. (the "Company") has delivered a proposal (the "Proposal") that the County issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in an amount not to exceed \$1,800,000,000 (the "Bond"), to finance the acquisition, construction and installation by the County of certain property (the "Project Property") to be located on the north side of State Highway 176, on a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of State Highway 176 and State Highway 234 within the jurisdictional limits of the County, that will enrich uranium to be used to generate electricity, as a service to the nuclear power plant industry; that the Project Property would be leased and sold to the Company under a certain Lease and Purchase Agreement between the County and the Company (the "Lease"); that the Bond would be issued pursuant to the provisions of an Indenture among the County, the bond purchaser (the "Purchaser"), and a trust depository (the "Indenture"); that the Bond would be sold to the Purchaser pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement", and together with the Bond, the Lease and the Indenture, the "Bond Documents") between the County, the Company and the Purchaser; that the Board of Commissioners of the County ("Board") has concluded that the benefits to the County of issuing the Bond are substantial and that the issuance of the Bond will constitute a valid public purpose under the Act; and that notice of the Board's intention to consider adoption of the Ordinance was published in conformance with legal requirements.

Sections 1 through 3 ratify previous action taken in connection with the issuance of the Bond; approve the Proposal; authorize the acquisition, lease and sale of the Project Property; and provide that the Project Property shall be located within the County and not within the boundaries of any incorporated municipality of the County.

Sections 4 through 6 authorize the issuance of the Bond in a principal amount not to exceed \$1,800,000,000; approve the form and terms of the Bond; provide that the Bond shall mature on the anniversary of the issuance date of the Bond in 2034 and shall bear interest as provided in the Indenture; provide that other details of the Bond shall be provided in the Indenture; approve the sale of the Bond on the terms set forth in the Bond Purchase Agreement; and make certain findings and determinations pursuant to the Act, including the maximum annual amounts necessary for debt service on the Bond, that the Company shall maintain the Project Property and carry all property insurance (or self-insure), that the rentals under the Lease shall be sufficient to pay all debt service on the Bond, and that no reserve fund will be necessary to retire the Bond or to maintain the Project Property.

Sections 7 through 9 approve the forms of the Bond Documents; authorize and direct County officials to execute and deliver the Bond Documents; authorize County officials to execute and deliver other documents and to take such other actions as are reasonably necessary to effectuate the Ordinance; provide that the Bond shall be a special limited obligation of the County, payable solely as provided in the Indenture; state that the Bond shall never constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the New Mexico constitution; and provide that the Bond shall never give rise to a pecuniary liability of the County or a charge against the County's general credit or taxing power.

Sections 10 through 14 approve the provisions of the Lease requiring payments in lieu of taxes; provide that the Ordinance shall be irrevocable while the Bond is outstanding; provide severability and repealer provisions; direct the authentication and recording of the Ordinance; and provide for the publication of notice of the adoption of the Ordinance.

This notice constitutes compliance with the Public Securities Limitation of Action Act, Sections 6-14-4 to 6-14-7 NMSA 1978.

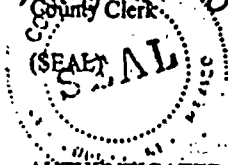
(End of Form of Summary for Publication)

PASSED AND ADOPTED by the Board of Commissioners of Lea County the ____ day of December, 2003.


Chairman of the Board of Commissioners

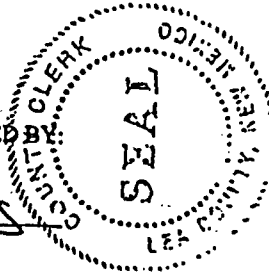
ATTEST:

Alfred B. Boye
County Clerk



AUTHENTICATED AND ATTESTED BY:

Melinda Hughes
County Clerk



APPROVED AS TO FORM:

County Attorney

BOND PURCHASE AGREEMENT

NEF SERIES 2004, LLC, a Delaware limited liability company (together with its successors, assigns and transferees, the "Purchaser"), LEA COUNTY, NEW MEXICO (the "Issuer") and LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership (the "Company") agree:

Section 1. Recitals. The Issuer, the Purchaser and Bank of Albuquerque, N.A. a national banking association, as Depository (the "Depository"), have entered into an Indenture dated the Closing Date indicated below (the "Indenture"). Capitalized terms that are not otherwise defined herein shall have the meanings given to such terms as set forth in the Indenture and the Lease (as that term is defined in the Indenture). Pursuant to the Indenture, the Issuer will issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond"). Proceeds of the Bond will be used by the Company to acquire the Project Site or the right to use and occupy the Project Site and to construct and install the Improvements in connection with the establishment of a uranium enrichment facility (the Project Site and the Improvements are herein collectively referred to as the "Project").

Section 2. Purchase and Delivery. On the basis of the representations and covenants contained in this Bond Purchase Agreement (this "Bond Purchase Agreement") and subject to the terms and conditions contained in this Bond Purchase Agreement, the Indenture and the Lease, the Purchaser agrees to purchase the Bond from the Issuer and the Issuer agrees to sell the Bond to the Purchaser. As consideration for the sale of the Bond, the Purchaser agrees to pay the purchase price of the Bond in an amount up to the maximum principal amount of \$1,800,000,000 at the time of delivery thereof or based on advances of lesser amounts at the times and under the conditions specified in Section 404 of the Indenture. The Issuer will deliver the Bond to the Purchaser, on or before _____ p.m., Albuquerque Time, on _____, 2004, or at such other time not later than five business days thereafter as the Purchaser and the Issuer may agree (the "Closing Date").

Section 3. Issuer Representations. The Issuer represents that, as of the date of this Bond Purchase Agreement:

(a) Each of the representations of the Issuer in the Lease and this Bond Purchase Agreement (collectively, the "Company Documents") is true and correct as if made on and as of the date of this Bond Purchase Agreement.

(b) Pursuant to Ordinance No. _____, duly adopted by the Board of Commissioners of the Issuer on December 16, 2003 (the "Bond Ordinance"), the Issuer has duly authorized and approved (i) the execution and delivery by the Issuer of the Bond Documents and the performance by the Issuer of its obligations under the Bond Documents, and (ii) the issuance,

execution and delivery of the Bond. The Bond Ordinance is in full force and effect and has not been amended, modified, repealed or rescinded.

(c) The Issuer is not aware of any act, condition or thing required on the part of the Issuer by the Constitution and laws of the State to happen, exist or be performed precedent to and for the execution and delivery of this Bond Purchase Agreement and the issuance of the Bond, which has not happened, does not exist or has not been performed.

Section 4. Company Representations. The Company represents that, as of the date of this Bond Purchase Agreement:

(a) The Company is a limited partnership organized and validly existing under the laws of the State of Delaware, is registered to conduct business as a foreign limited partnership in the State, is in good standing under the laws of the State, and has or will obtain at the necessary time, all licenses and permits required to lease and operate the Project. The Company has not received any notice of an alleged violation and is not in violation of any zoning, land use, Environmental Law or other similar law or regulation applicable to the property subject to the Lease. The Company has full right, power and authority to approve, enter into, deliver and/or perform its obligations under the Bond Documents and to perform such other acts and things as are provided herein and therein for it to perform.

(b) The approval by the Company of the Bond Documents and the execution, delivery and performance of its obligations under the Company Documents, compliance by the Company with the provisions hereof and of any and all of the foregoing documents, the application by the Company of the proceeds of the sale of the Bond for the purposes described in the Indenture, and the consummation of the transactions contemplated herein do not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, the certificate of limited partnership and any amendments thereto or the limited partnership agreement and any amendments thereto of the Company or any agreement, indenture, mortgage, lease or instrument to which the Company is a party or by which the Company or any of its property is or may be bound or any existing law or court or administrative regulation, decree or order which is applicable to the Company or any of its property, and do not and will not result in the creation or imposition of any lien of any nature upon any of the Project Property, except for Permitted Liens (as defined in the Lease).

(c) To the best of its knowledge, no "Default", "Event of Default" or event which, with notice or lapse of time or both, would constitute a "Default" or an "Event of Default" under the Bond Documents has occurred and is continuing.

(d) The Company has duly authorized all necessary action to be taken by it for (i) the issuance and delivery of the Bond by the Issuer upon the terms and conditions and for the uses set forth or described herein and in the Indenture; (ii) the approval of the Bond and the Bond Documents; and (iii) the execution, delivery or receipt of and the performance as applicable, of its obligations under the Bond Documents and any and all such other agreements and documents

as may be required to be executed, delivered or received by the Company in order to carry out, effectuate and consummate the transactions contemplated herein and therein.

(e) The Company will not take or omit to take any action which will in any way cause or result in the proceeds of the sale of the Bond being applied in a manner other than as provided in the Indenture and the Lease.

(f) There is no action, suit, proceeding at law or in equity before or by any court, public board or body pending or, to the best of the knowledge of the Company, threatened, against or affecting the Company or its property wherein an unfavorable decision, ruling or finding would have a material adverse effect on (i) the transactions contemplated in this Bond Purchase Agreement, (ii) the validity or enforceability in accordance with their respective terms of the Bond Documents, (iii) the financial condition of the Company or the operation by the Company of its property, or (iv) the legal existence of the Company or the titles of its officers to their respective offices.

(g) On or before the date of the sale and delivery of the Bond, the Company will approve or execute and deliver the Company Documents. When executed and delivered, this Bond Purchase Agreement and the Lease will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(h) All Licensing Approvals (as defined in the Lease) required to date in connection with the Project, if any, have been obtained, and all Licensing Approvals required for the construction and operation of the Project will be obtained in due course, and in time for the Company to satisfy or cause to be satisfied all construction and other performance obligations with respect thereto.

(i) All liens, encumbrances, covenants, conditions and restrictions, if any, affecting the Project including the liens created by the Lease and the Indenture, are Permitted Liens, and will not materially adversely affect the value of, or materially interfere with or materially impair the operation of, the property currently affected thereby for the purpose for which it was acquired or is held by the Company.

(j) Any certificate signed by an authorized officer of the Company delivered to the Issuer or to the Purchaser in connection with the issuance of the Bond will be deemed a representation and warranty by the Company to the Issuer and the Purchaser as to the statements made therein.

Section 5. Purchaser Representations. The Purchaser represents and acknowledges that, as of the date of this Bond Purchase Agreement:

(a) The Purchaser is a _____, organized and validly existing under the laws of _____ and in good standing under the laws of the State of _____, is related to or affiliated with the Company, and has duly authorized the execution, delivery and performance of this Bond Purchase Agreement.

(b) The Purchaser is purchasing the Bond for its own account for investment and with no present intention of distributing or reselling the Bond or any interest in the Bond other than possibly to an entity that is related to or affiliated with the Purchaser, but without prejudice, however, to its right at all times to sell or otherwise dispose of all or any part of the Bond in compliance with the Securities Act of 1933, as amended, the regulations promulgated thereunder and applicable state securities laws and regulations upon receipt of appropriate investor representations and in accordance with the applicable terms of the Indenture and the Bond.

(c) The Purchaser understands that the Bond is a special limited, and not a general, obligation of the Issuer, and is payable solely from the funds or property available under the Lease and the Indenture and pledged to the payment of the Bond. It understands that the Bond is not secured by any obligation or pledge of any monies received or to be received from taxation or from the State or any political subdivision or taxing district thereof (including, without implied limitation, the Issuer), and that the Bond will never represent or constitute a general obligation, debt or bonded indebtedness of the Issuer, the State, or any political subdivision thereof, and that no right will exist to have taxes levied by the Issuer, the State, or any political subdivision thereof, for the payment of principal of, premium, if any, and interest on the Bond. The Purchaser understands that the payment of the Bond depends upon the general credit of the Company, and upon the security granted in the Indenture for the Company's obligations under the Lease.

(d) The Purchaser has received copies of financial statements of the Company, has been afforded the opportunity to discuss the business, assets and financial position of the Company with the officers, employees and auditors of the Company, has had access to and has undertaken to collect and investigate for itself information the Purchaser considers material or potentially material to its investment in the Bond, and has received such information concerning the Company and its business, assets and financial position, and the Project (as defined in the Lease) as it deems necessary in making its decision to purchase the Bond.

(e) The Purchaser is duly and legally authorized to purchase the Bond, has such knowledge and experience in financial and business matters, including matters involving investments such as the Bond, that it is capable of evaluating the merits and risks of its purchase of the Bond, is aware of the intended use of proceeds of the Bond, and understands that interest on the Bond is not excludable from gross income for federal income tax purposes.

(f) The Purchaser understands that the Issuer, its officials, employees, counsel, agents and consultants have not undertaken to furnish any information with respect to the Company or to ascertain the accuracy of any information furnished to the Purchaser with respect to the Company, and the Purchaser has not requested or received any representations

from the Issuer with respect to any such information or its accuracy or completeness. The Purchaser waives any requirement of due diligence in investigation or inquiry on the part of the Issuer, its officials, employees, counsel, agents and consultants and all claims, actions or causes of action which the Purchaser may have from and after the date hereof against the Issuer, its officials, employees, counsel, agents and consultants growing out of any such action which any of the foregoing took, or could have taken, in connection with the authorization, execution, delivery, sale or resale of the Bond to or by the Purchaser or in connection with any statement or representation which induced the Purchaser to purchase the Bond.

(g) The Purchaser has received and reviewed copies in draft and final form of the Bond Documents and the Bond Ordinance.

(h) This Bond Purchase Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(i) The Purchaser has been informed by the Company and agrees that the Indenture has not been qualified under the Trust Indenture Act of 1939, and that the Bond (i) is not being registered or otherwise qualified for sale under (a) the Securities Act of 1933, as amended, or (b) the "Blue Sky" or securities laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange, (iii) will not carry a rating from any rating service and (iv) will not be readily marketable. The Purchaser has been informed by the Company and agrees that a legend will be placed on the Bond certificate or any other documents evidencing ownership of the Bond to the effect that it has not been registered under the Securities Act of 1933, as amended, or the applicable state "Blue Sky" or securities laws and that it may only be transferred, pledged or hypothecated in compliance with the terms of the Indenture and the Bond.

(j) The Purchaser acknowledges that its purchase of the Bond constitutes a transaction in a bond secured by the Indenture which is, among other things, a personal property security agreement, pursuant to which the Bond is offered and sold as a unit.

(k) The execution, delivery and performance of this Bond Purchase Agreement by the Purchaser will not constitute a default under any other agreement by which the Purchaser is bound.

Section 6. Indemnification.

(a) The Company agrees to indemnify, defend and hold harmless the Issuer and all officials, members of the County Board of Commissioners, officers, employees and agents of the Issuer and each person, if any, who has the power to direct or cause the direction of the management and policies of the Issuer (together with the Issuer, the "Indemnified Parties" and each singularly an "Indemnified Party") against any and all losses, claims, damages,

liabilities, joint or several, or any expenses related thereto whatsoever arising out of or in connection with or caused by any pledge, offering, sale or resale of the Bond in violation of any federal or state securities laws or by an untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact made to any person or caused by an omission or alleged omission of any material fact in connection with the Bond or the pledge, sale, resale or delivery thereof to the extent that such violation or untrue or misleading statement or omission or alleged or misleading statement or omission was made or caused by the Company, except to the extent such indemnity shall be violative of public policy.

(b) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matters described in Subsection 6(a) above and in respect of which indemnity is sought against the Company pursuant to Subsection 6(a) above, the Indemnified Party or Indemnified Parties seeking indemnity shall, within ten days of being notified of an action against it, notify the Company, in writing, and the Company shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Company and approved in writing by the Issuer (provided that such approval by the Issuer shall not be unreasonably withheld), the payment of the reasonable expenses of such counsel, and the right of the Issuer to participate in negotiations and to consent to settlement. If any Indemnified Party is advised in a written opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Company, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Company shall not have the right to assume or cause the assumption of the defense of such Indemnified Party, and the Company shall be responsible for the reasonable fees and expenses of counsel retained by such Indemnified Party, provided such counsel is approved in writing by the Company, in assuming its own defense. If the Company shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Company. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel with respect to any such claim or in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party or Indemnified Parties unless the employment of such counsel has been specifically authorized in writing by the Company. The Company shall not be liable for any settlement of any such action effected without the written consent of the Company, but if settled with the written consent of the Company, or if there is a final judgment for the plaintiff in any such action with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(c) The Purchaser agrees to indemnify and hold harmless the Indemnified Parties from and against any and all losses, claims, damages, liabilities or expenses related thereto arising out of or caused by any offering or resale of the Bond by the Purchaser in violation of any federal or state securities laws or by an untrue statement or misleading statement

or alleged untrue statement or alleged misleading statement of a material fact made to any person or caused by an omission or alleged omission of any material fact in connection with the Bond or the sale, resale or delivery thereof to the extent that such violation or untrue or misleading statement or omission or alleged or misleading statement or omission was made or caused by the Purchaser, except to the extent such indemnity shall be violative of public policy.

(d) In case any claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matter described in Subsection 6(c) above and in respect of which indemnity is sought against the Purchaser pursuant to Subsection 6(c) above, the Indemnified Party or Indemnified Parties seeking indemnity shall within ten days of being notified of an action against it, notify the Purchaser in writing, and the Purchaser shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Purchaser, reasonably satisfactory to the Issuer, the payment of all reasonable fees and expenses and the right to negotiate and consent to settlement. If any Indemnified Party is advised in an opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Purchaser, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Purchaser shall not have the right to assume the defense of such Indemnified Party, but shall be responsible for the reasonable fees and expenses of counsel retained by such Indemnified Party, provided such counsel is approved in writing by the Purchaser, in assuming its own defense. If the Purchaser shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after written notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Purchaser. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless the employment of such counsel has been specifically authorized in writing by the Purchaser. The Purchaser shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the Purchaser or if there is a final judgment for the plaintiff in any such action, with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Purchaser agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

Section 7. Conditions. The obligation of the Purchaser to purchase the Bond and the obligation of the Issuer to sell the Bond are subject to satisfaction of the following conditions precedent:

(a) The representations of the Issuer, the Company and the Purchaser in this Bond Purchase Agreement, the Lease and the Indenture, as applicable, will be true and correct on and as of the Closing Date as if made on and as of the Closing Date.

(b) As of the Closing Date, no Default (as defined in the Indenture) or Event of Default (as defined in the Lease) will have occurred and be continuing, and no event will have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute a Default or Event of Default.

(c) On or before the Closing Date, all actions required to be taken as of the Closing Date in connection with the Bond, the Bond Ordinance and the Bond Documents by the Issuer and the Company as of the Closing Date will have been taken, and the Issuer and the Company will each have performed and complied with all agreements, covenants and conditions required to be performed or complied with by the Bond Ordinance and the Bond Documents (to which the Issuer and the Company are parties) as of the Closing Date.

(d) The Indenture will have been duly executed and delivered by the Issuer, the Purchaser and the Depository. The Lease will have been duly executed by the Issuer and the Company. Each of the Bond Documents, the Bond Ordinance and all other official action of the Issuer relating to the Bond, the Project and the Bond Documents will be in full force and effect on the Closing Date and will not have been amended, modified or supplemented on or before the Closing Date.

(e) The Issuer, the Company and the Purchaser will have received the following, each dated the Closing Date:

(i) the approving opinion of Rodey Dickason, Sloan, Akin & Robb, P.A., Bond Counsel, substantially in the form of Exhibit A attached hereto;

(ii) the opinion of _____ as to due organization, good standing and registration in New Mexico of the Company and the Purchaser, due authorization, execution, delivery and enforceability of the Bond Documents to which the Company and Purchaser are party, and as to the issuance of approvals, permits, licenses and consents necessary for the execution and delivery of the Bond Documents by the Company and the Purchaser, substantially in the form of Exhibit B attached hereto;

(iii) the opinion of Lawrence D. Hanna of Hanna & LaBree, P.C., as legal counsel to the Issuer, substantially in the form set forth in Exhibit C attached hereto;

(iv) RESERVED

(v) such other opinions of counsel that Purchaser may reasonably request in connection with the Project and the purchase of the Bond;

(vi) a certificate of the Issuer signed by a duly authorized officer of the Issuer to the effect set forth in subsections (a), (b), (c) and (d) of this Section 7;

(vii) a certificate of the Company signed by a duly authorized officer of the Company to the effect set forth in subsections (a), (b) and (c) of this Section 7;

(viii) a certificate of the Purchaser signed by a duly authorized officer of the Purchaser to the effect set forth in subsections (a) and (d) of this Section 7;

(ix) a certificate of the Depository signed by a duly authorized officer of the Depository, to the effect that (A) he or she is an authorized officer of the Depository; (B) the Indenture has been duly executed and delivered by the Depository; (C) the Depository has all necessary corporate powers required to execute and deliver, and to perform its obligations under, the Indenture; and (D) to the best of his or her knowledge, the execution and delivery by the Depository of the Indenture and the performance by the Depository of its obligations under the Indenture will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Depository is subject or by which the Depository is bound; and

(x) such additional legal opinions, certificates, proceedings, instruments and other documents as any Party or Bond Counsel may reasonably request.

If any conditions to the obligations of the Purchaser or the Issuer under this Bond Purchase Agreement are not satisfied and if the satisfaction of such conditions is not waived by the Purchaser or the Issuer, then, at the option of the Purchaser or the Issuer (as applicable), (A) the Closing Date will be postponed for such period, not to exceed seven days, as may be necessary for such conditions to be satisfied or (B) the obligations of the Purchaser and the Issuer under this Bond Purchase Agreement will terminate, and neither the Purchaser nor the Issuer will have any further obligations or liabilities under this Bond Purchase Agreement.

Section 8. Survival. All agreements, covenants and representations and all other statements of the Issuer, the Company and the Purchaser and their respective officers set forth in or made pursuant to this Bond Purchase Agreement will survive the Closing Date and the delivery of and payment for the Bond by the Purchaser.

Section 9. Bond Not General Obligation of Issuer. Neither the faith and credit nor the taxing power of the State or of any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The Bond will be payable by the Issuer solely out of the revenues, proceeds and receipts pledged by the Issuer under the Indenture. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness or general obligation of the Issuer within the meaning of any State constitutional provision or statutory limitation. The Bond will never constitute or give rise to a pecuniary liability of the Issuer or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

Section 10. Applicable Law. The validity, construction and effect of each of the Bond Documents will be governed by the law of the State applicable to agreements made and to be

performed in the State, without regard or effect given to conflict of laws rules which would require the application of the laws of any other jurisdiction.

Section 11. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, each of which so executed and delivered will constitute an original and all together will constitute but one and the same instrument.

Section 12. Severability. If any section, paragraph, clause or provision of this Bond Purchase Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Purchase Agreement.

Section 13. Performance by Purchaser. The respective obligations of the Issuer and the Company hereunder are subject to the performance by the Purchaser of its obligations hereunder.

Section 14. Limitation of Issuer's Liability. No agreements or provisions contained herein nor in any other of the Bond Documents or the Bond nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with any property of the Company financed, directly or indirectly, out of the Bond proceeds or the issuance, sale and delivery of the Bond will ever give rise to any pecuniary liability of the Issuer, its officers or members of its governing body or constitute a charge against the Issuer's general credit or taxing powers, or will obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or under the Indenture and pledged to the payment of the Bond, and their application as provided under the Indenture. No failure of the Issuer to comply with any terms, covenants or agreements herein or in any Bond Document, the Indenture or in any other document executed by the Issuer in connection with the Bond will subject the Issuer, its officers and members of its governing body to any pecuniary charge or liability except as to the extent that the same can be paid or recovered from the funds available hereunder or under the Indenture and pledged to the payment of the Bond. Without limiting the requirement to perform its duties or exercise its rights and powers under the Bond Documents upon receipt of appropriate indemnity or payment, none of the provisions of this Bond Purchase Agreement, the Lease or the Indenture will require the Issuer to expend or risk its funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under any Bond Document or the Indenture. Nothing in any Bond Document will preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein or in the Bond Documents; provided, that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds available hereunder or under the Indenture and pledged to the payment of the Bond.

Section 15. Notices. All notices required under this Bond Purchase Agreement shall be deemed to be properly sent if in writing, signed by the Party or authorized agent sending the notice, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a

recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of the methods in (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:	<p>Lea County Lea County Courthouse 100 North Main Street Lovington, NM 88260, Attn.: Dennis Holmberg, County Manager Phone: (505) 396-8601 Fax: (505) 396-2093</p>
with a copy to:	<p>Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 Fourth Street N.W. Suite 1000 Albuquerque, New Mexico 87102 Attention: Duane Brown and Peter Franklin</p>
If to the Purchaser:	<p>NEF Series 2004, LLC 1133 Connecticut Avenue NW, Suite 200 Washington, D.C. 20036 Attention: E. James Ferland, Managing Member Phone: (202) 659-4344 Fax: (202) 659-0791</p>
If to the Company:	<p>Louisiana Energy Services, L.P. 1133 Connecticut Avenue NW, Suite 200 Washington, D.C. 20036 Attention: E. James Ferland, President Phone: (202) 659-4344 Fax: (202) 659-0791</p>
with a copy to:	<p>Rodey Law Firm 201 Third St., Suite 2200 Albuquerque, NM 87102 Attention: Donald B. Monnheimer Phone: (505) 766-7556 Fax: (505) 768-7395</p>

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 16. Remedies. Except as otherwise provided in Section 14 of this Agreement, Section 11.3 of the Lease and Section 1112 of the Indenture, no right or remedy conferred on any Party in this Bond Purchase Agreement is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default.

Section 17. Beneficiaries. Nothing expressed or implied in any of the Bond Documents is intended or is to be construed to confer upon any Person other than the Parties (and, in the case of Section 6 hereof and Section 6.3 of the Lease only, the Indemnified Parties) any right, remedy or claim, legal or equitable.

Section 18. No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Bond Purchase Agreement, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

Section 19. Non-Merger. The provisions of this Bond Purchase Agreement shall survive the conveyance of the Project Property to the Issuer, the reconveyance of the Project Property to the Company, and all other performances hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 20. Obligations of Issuer Not Obligations of Officials Individually. All obligations of the Issuer under the Bond Documents and the Bond will be deemed to be obligations of the Issuer to the full extent permitted by the Constitution and laws of the State. No obligation under any of the Bond Documents or the Bond will be deemed to be an obligation

of any present or future officer (including, without limitation, any member of the County Board of Commissioners) or employee of the Issuer in his or her individual capacity, and no officer of the Issuer who executes the Bond will be personally liable on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 21. Amendments. This Bond Purchase Agreement may be amended by one or more instruments executed by the Issuer, the Company and the Purchaser. The Issuer shall amend this Bond Purchase Agreement as requested by the Company or a lender or other entity providing all or any part of the Project Financing (as defined in the Lease), provided any such amendment is not inconsistent with the Bond Ordinance.

DATED: January __, 2004.

ISSUER:

LEA COUNTY, NEW MEXICO

By: _____

Name: Harry Teague

Its: Chairman of the Board of Commissioners

PURCHASER:

NEF SERIES 2004, LLC

By: _____

Name: _____

Its: _____

COMPANY:

LOUISIANA ENERGY SERVICES, L.P.

By: _____

Name: E. James Ferland

Its: President

EXHIBIT A
OPINION OF BOND COUNSEL

January __, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

Louisiana Energy Services, L.P.
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Bank of Albuquerque, National Association
201 Third Street NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility
Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Lea County, New Mexico (the "Issuer") of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

The Bond will bear interest on the outstanding principal amount at 5% per annum, and will mature on _____, 2034 (the "Maturity Date"). Interest on the Bond is payable on each _____, beginning on _____, 2005, until and including the Maturity Date. The entire principal amount of the Bond will be payable in one payment on the Maturity Date.

The Bond is subject to redemption prior to maturity as described in the Indenture dated the date hereof (the "Indenture") among the Issuer, NEF Series 2004, LLC (the "Purchaser") and

Bank of Albuquerque, National Association, Albuquerque, New Mexico, as Depository (the "Depository").

The principal of, interest on and redemption price of the Bond are not general obligations of the Issuer but special limited obligations payable by the Issuer solely from certain revenues pledged under the Indenture.

Neither the faith and credit nor the taxing power of the State of New Mexico or of any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness of the Issuer within the meaning of any provision or limitation of the constitution or laws of the State of New Mexico. The Bond will never constitute nor give rise to a pecuniary liability of the State of New Mexico or any of its political subdivisions, including the Issuer, or a charge against their general credit or taxing powers.

In connection with the issuance of the Bond we have examined: (a) a certified copy of an ordinance adopted December 16, 2003 by the governing body of the Issuer, authorizing the issuance of the Bond (together, the "Bond Ordinance"), pursuant to and under the provisions of Chapter 4, Article 59 New Mexico Statutes Annotated, 1978 Compilation, as amended (together with the Bond Ordinance, the "Act"); (b) the executed Bond; (c) executed counterparts of the Indenture, the Lease and Purchase Agreement dated the date hereof (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company") and the Bond Purchase Agreement dated the date hereof among the Issuer, the Company, and the Purchaser (the "Bond Purchase Agreement" and, together with the Indenture and the Lease, the "Bond Documents"); and (d) such other opinions, documents, certificates and letters as we deem relevant in rendering this opinion.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Issuer and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Issuer, and is enforceable against each such party in accordance with its terms; and

B. that the execution, delivery and performance of the Bond Documents by any party will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require approval or consent under New Mexico and federal law and applicable regulations, any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject.

Based on such examination and the assumptions, and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Issuer is a governmental subdivision of the State of New Mexico and has the power and authority, under the constitution and laws of the State of New Mexico, including the Act, to execute and deliver the Bond Documents, and to authorize, execute, issue and deliver the Bond.
2. The terms and provisions of the Bond and the Bond Documents comply in all respects with the requirements of the Act.
3. The Bond has been validly authorized, executed and issued in accordance with the laws of New Mexico and represents the valid and binding special limited obligation of the Issuer.
4. The Bond Documents have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents and the Bond, constitute legal, valid and binding special limited obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.
5. Neither the Bond nor the Lease is required to be registered under any New Mexico or federal securities law. The Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.
6. The provisions of Rule 15c2-12 of the Securities and Exchange Commission are not applicable to this transaction inasmuch as the Bond is being sold in a private sale without participation of an underwriter.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

- (i) The collateral pledged and in which a security interest is granted under the Indenture is personal property and does not constitute any goods that are or may become fixtures pursuant to Section 55-9-334 NMSA 1978, as amended;
- (ii) Section 42A-1-24(C) NMSA 1978 provides that a court which has heard and adjudicated a condemnation proceeding has the power over the condemnee's compensation to "make orders as the court deems necessary with respect to encumbrances, liens, rents, insurance and other just and equitable charges";

(iii) ... We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security interests in, any real or personal property constituting the Project Property (as defined in the Lease); and

(iv) We express no opinion as to the enforceability of any provisions of the Bond Documents

purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct.

(v) We express no opinion as to the validity or enforceability of any severability clause or the availability of any injunctive relief or other equitable remedies, all of which are subject to the court's discretion.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof solely for use in connection with the issuance of the Bond to the Purchaser. This letter and the opinions expressed herein may not be used or relied upon by the addressees hereof for any other purpose and may not be relied upon for any purpose by any person or entity other than the addressees hereof. Except for the use permitted herein and except in connection with the preparation and customary distribution of the transcript of proceedings relating to the issuance of the Bond, this letter is not to be quoted or reproduced in whole or in part or otherwise referred to in any manner, nor is it to be filed with any governmental agency or delivered to any other person without our prior written consent. We assume no responsibility to notify the addressees hereof of any subsequent changes in the law or of any circumstance or event which may occur after the date hereof that affect or could possibly affect the opinions expressed herein or to otherwise supplement such opinions to reflect any such changes in the law or the occurrence of any circumstances or event after the date hereof.

Very truly yours,

Rodey, Dickason, Sloan, Akin & Robb, P.A.

EXHIBIT B
OPINION OF COUNSEL TO THE COMPANY AND THE PURCHASER

January __, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

Louisiana Energy Services, L.P.
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 Third Street NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility
Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

This firm has represented Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company") and NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser") in connection with the Lease and Purchase Agreement dated the date hereof (the "Lease") between Lea County, New Mexico (the "Issuer") and the Company and the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") among the Purchaser, the Issuer and the Company, pursuant to which the Purchaser has agreed to purchase the Issuer's Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond"), to be issued under the Indenture dated the date hereof (the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Depository. We are rendering this opinion pursuant to Section 7(e)(ii) of the Bond Purchase Agreement. In that connection we have reviewed executed copies of the Lease, the Bond Purchase Agreement and the Indenture (collectively, the "Bond Documents"), certificates of officers of the Company and certificates of public officials and have made such other investigations of law and fact as we have deemed

necessary for the purpose of issuing this opinion. Terms are used in this opinion as defined in the Bond Documents.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Company and the Purchaser and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Company and the Purchaser, and is enforceable against each such party in accordance with its terms; and

B. that the execution, delivery and performance of the Bond Documents by any party (other than the Company and the Purchaser) will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require consent under any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject.

Based on the assumptions and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Company is a limited partnership duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico, and is in good standing as a foreign limited partnership under the laws of the State of New Mexico, and has duly authorized the execution, delivery and performance of the Lease and the Bond Purchase Agreement (collectively, the "Company Documents"). The Company Documents have been duly executed by the Company.
2. The Purchaser is a limited liability company, duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico as a foreign limited liability company, and has duly authorized the execution, delivery and performance of the Bond Purchase Agreement and the Indenture (collectively, the "Purchaser Documents"). The Purchaser Documents have been duly executed by the Purchaser.
3. The execution, delivery and performance by the Company of the Company Documents and by the Purchaser of the Purchaser Documents will not (i) conflict with, contravene, or violate the certificate of limited partnership or partnership agreement of the Company or the Purchaser, respectively, or (ii) to the best of our knowledge, after due inquiry, conflict with, contravene, violate or constitute a material breach of, or default under, any law, rule, regulation, ordinance, order, consent, decree, agreement or instrument to which the Company or the Purchaser is a party or by which the properties of either the Company or the Purchaser, respectively, are bound.

4. With the exception of the licensing, regulatory and other approvals required under New Mexico and federal law, with respect to the construction and operation of the Project, to the best of our knowledge, after due inquiry, all approvals, permits, licenses, consents, authorizations, certifications and other orders of any governmental authority or agency necessary for the execution and delivery by the Company of the Company Documents and the execution and delivery by the Purchaser of the Purchaser Documents have been obtained and are in full force and effect.
5. There is no action, suit, proceeding, inquiry or investigation by or before any court, public board or body pending or, to the best of our knowledge, threatened, against the Company or the Purchaser which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own or operate any of the Project or the Project Property, or (iv) could result in an unfavorable decision, ruling or finding that could materially adversely affect the financial condition or operations of the Company or the Purchaser or could materially adversely affect the transactions contemplated by the Bond Documents or the validity of the Bond.
6. The Company Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.
7. The Purchaser Documents constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

- (a) We are admitted to practice law in the State of New Mexico, and we express no opinion herein with respect to the application or effect of the laws of any jurisdiction other than the existing laws of the State of New Mexico and, to the extent applicable, the existing laws of the United States of America;
- (b) We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security

interests in, any real or personal property constituting the Project Property (as defined in the Lease);

- (c) We express no opinion as to the enforceability of any provisions of the Company Documents or the Purchaser Documents purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct; and
- (d) We express no opinion as to the validity or enforceability of any severability clause or the availability of injunctive relief or any other equitable remedies, all of which are subject to the court's discretion.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof in connection with the Company Documents and the Purchaser Documents and the transactions contemplated thereby, and the opinions and all conclusions stated herein may not be quoted or relied upon by any person other than the addressees hereof or for any purpose other than as stated herein without our prior written consent. We make no undertaking to supplement this opinion if facts or circumstances come to our attention or changes in the law occur after the date hereof which could affect the conclusions reached in this opinion.

Very truly yours,

By: _____

EXHIBIT C
OPINION OF COUNSEL TO THE ISSUER

January ____, 2004

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 Third St. NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility
Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

I serve as legal counsel to Lea County, New Mexico (the "Issuer"), and in that capacity I have advised the Issuer regarding the issuance of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

I have been asked to render this opinion pursuant to Section 7(e)(iii) of that certain Bond Purchase Agreement dated as of the date hereof ("Bond Purchase Agreement") among the Issuer, Louisiana Energy Services, P.C., a Delaware limited partnership (the "Company"), and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser of the Bond. In my opinion:

1. The Issuer is a governmental subdivision of the State of New Mexico ("State"), and is duly organized and validly existing under the constitution and laws of the State.
2. Ordinance No. _____, adopted December 16, 2003 (the "Ordinance") pertaining to the Bond, were duly adopted by the governing body of the Issuer in accordance with NMSA 1978 §§ 4-37-6, 4-37-7 and 4-37-9 governing the procedures for adoption of county ordinances in that public notice of the proposed ordinance was properly given, and that a public hearing was properly conducted prior to the adoption of the Ordinance.

The Ordinance is in full force and effect and has not been amended, modified, repealed or rescinded.

3. To my knowledge, the adoption of the Ordinance by the governing body of the Issuer will not violate any provision of the constitution or laws of the State.
4. Except as disclosed in writing to the above-named addressees on or before the date of this opinion letter, no litigation is now pending or, to my knowledge, threatened against the Issuer which seeks to or does restrain or enjoin the issuance or delivery of the Bond or execution and delivery of the Bond Documents (as described in the Bond Purchase Agreement), or in any manner questions the authority or proceedings for the issuance of the Bond or the execution and delivery of the Bond Documents.

The foregoing opinions are limited to matters involving the current law of the State and the Issuer, and the undersigned does not express any opinion as to the laws of any other jurisdiction. This opinion is delivered to you solely in connection with the matters referred to in numbered paragraphs 1 through 4 above and may not be relied upon by you for any other purpose and may not be provided to or relied upon any other person.

Very truly yours,

HANNA & LaBREE, P.C.

LAWRENCE D. HANNA

LEA COUNTY, NEW MEXICO,
as Issuer,

BANK OF ALBUQUERQUE, N.A.,
a national banking association,
as Depository

and

a _____
as Purchaser

INDENTURE

Dated January ____, 2004

Securing

\$1,800,000,000
Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

This instrument constitutes a security agreement with respect to certain personal property under
the laws of the State of New Mexico.

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THIS INDENTURE is made this ____ day of January, 2004, among LEA COUNTY, NEW MEXICO, a governmental subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico (together with its successors and assigns, the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees of the Bond (defined below), the "Purchaser"), and BANK OF ALBUQUERQUE, N.A., a national banking association (together with its successors and assigns, the "Depository").

ARTICLE I - RECITALS

Section 101. The Act. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 (the "Act"), the Issuer is authorized to acquire, construct and equip certain industrial or commercial projects and to issue its industrial revenue bonds to finance such projects and certain related costs. Such bonds are payable solely out of revenue of the leasing of such projects. Such bonds may be further secured by an assignment of the Issuer's interest in the lease agreement respecting the project to be acquired, constructed and equipped. Under the Act, a project may include land, buildings, machinery, equipment, furnishings and other property deemed necessary in connection with such project.

Section 102. Government Proceedings. Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, the "Company"), has presented to the Issuer a proposal ("Project Plan") relating to the issuance of industrial revenue bonds and the acquisition, construction and installation by the Company of a uranium enrichment facility to be located within Lea County and not within the boundaries of any incorporated municipality in the County. Following consideration of the Company's proposal, the County Board of Commissioners (the "Board") on December 16, 2003 adopted Ordinance No. _____ (the "Bond Ordinance"), authorizing, among other matters, (i) the issuance of the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond") in an aggregate principal amount not to exceed \$1,800,000,000, and (ii) the execution and delivery of this Indenture.

Section 103. The Lease. The Issuer has entered into a Lease and Purchase Agreement dated the date of this Indenture (together with any and all amendments and supplements, the "Lease") with the Company, under which the Issuer has leased the Project Property (as defined in the Lease) to the Company and the Company has agreed to make rental payments in amounts sufficient to pay the principal of, interest on and redemption price of the Bond when due. For the purpose of providing security for the payment of the principal of, interest on and redemption price of the Bond, the Issuer wishes to assign to the Purchaser certain of its interests in the Lease, but reserving the Unassigned Rights.

Section 104. The Indenture; Collateral Pledge. The Bond is to be issued under this Indenture, which constitutes a security agreement and a collateral pledge of the Lease to the Purchaser.

Section 105. Conditions Precedent Performed. The Issuer is unaware of any act, condition or thing required on the part of the Issuer by the constitution and laws of the State to happen, exist or be performed precedent to and for the execution and delivery of this Indenture

and the issuance of the Bond except such as do exist and have happened and have been performed.

ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 201. Meanings of Words and Terms. All words and terms defined in the Lease have the same meanings when used in this Indenture. In addition to the definitions in the Recitals, Section 101 hereof, the capitalized words and terms used in this Indenture shall have the following meanings:

"Acquisition Account" has the meaning assigned in Section 601.

"Authorized Company Representative" means any one of the persons at the time designated to act on behalf of the Company in a certificate furnished to the Issuer and the Depository containing the specimen signatures of such persons and signed on behalf of the Company by an officer of the Company.

"Bond" means the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004.

"Bond Documents" means this Indenture, the Lease and the Bond Purchase Agreement.

"Bond Ordinance" has the meaning assigned in Section 102 hereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated the date of this Indenture, among the Purchaser, the Issuer and the Company.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions in the State are authorized or required to close.

"Closing Date" means the date of issuance of the Bond.

"Company" has the meaning assigned in Section 102 hereof.

"Completion Date" has the meaning assigned in Section 4.1(c) of the Lease.

"Default" has the meaning assigned in Section 801 hereof.

"Depository" has the meaning assigned in the first paragraph of this Indenture.

"Event of Default" has the meaning assigned in Section 8.1 of the Lease.

"Indenture" means this Indenture, together with any and all amendments and supplements.

"Interest Payment Date" means the Maturity Date and each anniversary of the Closing Date until the Maturity Date.

"Issuer" has the meaning assigned in the first paragraph of this Indenture.

"Lease" has the meaning assigned in Section 103 hereof.

"Maturity Date" means the thirtieth anniversary of the Closing Date, in 2034.

"Parties" means the Issuer, the Company, the Purchaser and the Depository.

"Party" means any one of the Parties.

"Payment of the Bond" means payment in full of the principal of and interest on the Bond in accordance with its terms and the provisions of this Indenture and payment of all fees and expenses of the Issuer and the Depository payable by the Company under this Indenture, the Lease and the Bond Purchase Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision.

"Purchaser" means NEF Series 2004, LLC, a Delaware limited liability company, together with its successors and assigns, and permitted transferees of the Bond.

"Related Costs" means expenditures incurred by or to be incurred by the Company with respect to the issuance of the Bond and to the acquisition, construction and installation of the Project Property in accordance with the Project Plan.

"Revenues" means Rent and all other amounts to be received by the Issuer or the Depository in respect of the Project, including all amounts and investments in the funds and accounts created hereunder and all income and profits thereon.

Section 202. Rules and Construction.

(a) All references in this Indenture to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Indenture unless some other reference is established.

(b) Any inconsistency between the provisions of the Lease and the provisions of this Indenture will be resolved in favor of the provisions of this Indenture.

Section 203. Bond Not General Obligation of Issuer. Neither the faith and credit nor the taxing power of the State or any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The Bond will be payable by the Issuer solely out of the Revenues (but excluding Additional Payments), proceeds and receipts and other security pledged hereby. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness or general obligation of the Issuer within the meaning of any State constitutional provision or statutory limitation. The Bond will never constitute or give rise to a pecuniary liability of the Issuer or be a charge against its general

credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE III - GRANT

Section 301. Pledge. In consideration of the purchase of the Bond by the Purchaser, and in order to secure the payment of the principal of, interest on and redemption price of the Bond, and in order to secure the performance by the Issuer of its obligations under this Indenture and the Bond, the Issuer pledges and assigns to the Purchaser and grants a security interest to the Purchaser in (i) all the Issuer's right, title and interest in and to the Lease and any other lease, sublease, license, easement, right-of-way or other grant of a possessory or use interest in the Project Property, to the extent the Issuer has any interest therein, including its rights to the Revenues, but reserving the Unassigned Rights under the Lease; and (ii) the moneys and investments in the Acquisition Account.

Section 302. Subordination. The Purchaser agrees to subordinate its rights as pledgee, assignee and secured party as provided in Section 301 hereof to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably request to evidence such subordination.

Section 303. Release. If the principal of and interest on the Bond are paid in full to the Purchaser, all obligations of the Issuer as to the Bond under this Indenture will terminate, and the Purchaser will cancel and discharge the lien of this Indenture on the Project Property, and execute and deliver to the Issuer and the Company certificates of the Purchaser that all principal and interest due on the Bond have been paid. The County Clerk or a Deputy County Clerk of the Issuer is authorized to accept such a certificate of the Purchaser as evidence of the satisfaction of this Indenture.

ARTICLE IV - AUTHORIZATION, FORM, EXECUTION AND DELIVERY OF BOND

Section 401. Authorization: Authorized Amount of Bond. The Bond is hereby authorized to be issued under and secured by this Indenture. The Bond will be issued as a single fully registered bond without coupons, in a principal amount not to exceed \$1,800,000,000. The Bond will be numbered R-1. No bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of the Bond that may be issued under this Indenture is expressly limited to \$1,800,000,000. No additional bonds may be issued. The Bond may be transferred only in accordance with its terms.

Section 402. Form of Bond. The Bond will be in substantially the form of Exhibit A attached hereto, and by this reference, made a part hereof. The Bond will be dated the date of its issue and delivery to the Purchaser, and amounts advanced with respect to the Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on the Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months, and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to the Bond shall be subject to such terms and conditions as set forth in the Bond Purchase Agreement and this Indenture. Interest on principal amounts outstanding under the Bond shall be payable on each Interest Payment Date. The entire principal amount of the Bond shall be payable in one payment at maturity on the Maturity Date.

Section 403. Execution and Delivery. The Bond will be signed by the Chairman or Vice Chairman of the Board of Commissioners and the County Clerk or a Deputy County Clerk of the Issuer and delivered to the Purchaser on the date of the execution and delivery of this Indenture. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond and will pay the purchase price of the Bond to the Depository on account of the Issuer as set forth in Sections 404 and 601 hereof. Prior to delivery by the Issuer to the Purchaser of the Bond, the following will be delivered to the Purchaser:

- a. a certified copy of the Bond Ordinance authorizing the issuance of the Bond and the execution, delivery and performance of this Indenture and the Lease; and
- b. original executed counterparts of this Indenture, the Lease and the Bond Purchase Agreement.

Section 404. Advances. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond upon the execution and delivery of this Indenture and will pay the purchase price of the Bond in an amount up to the maximum principal amount of \$1,800,000,000 at the time of delivery of the Bond or based on advances requested by notice of the Company to the Purchaser and Depository, as set forth in Section 2 of the Bond Purchase Agreement. Promptly upon receipt of notice from the Company requesting an advance, the Purchaser will, so long as no Default has occurred and is continuing, pay the amount of the advance requested in such notice to the Depository for deposit in the Acquisition Account; provided that the aggregate amount of such advances will not exceed \$1,800,000,000. The records of the Depository will be conclusive as to the aggregate amount of advances requested and made, absent manifest error. The Purchaser is authorized to endorse on the schedule attached to the Bond the date and amount of each such advance and each principal payment on and redemption in part of the Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of any of the Parties on or with respect to the Bond.

Section 405. Application of Payments. Payments received by the Purchaser with respect to the redemption of all or any portion of the Bond will be applied first to the principal amount to be redeemed and then to accrued interest, if any, on such principal amount. All other payments received by the Purchaser with respect to the Bond will be applied first to accrued interest on and then to the unpaid principal of the Bond. If such payments exceed accrued interest on and the unpaid principal of the Bond, the Purchaser will pay such excess to the Company.

Section 406. Bond Registration. The Company will maintain a registration book showing the name and address of the holder of the Bond. Upon the Company's receipt of notice of the transfer of the Bond in accordance with its terms, together with other required documentation, the Company will cause the registration book to reflect the name and address of the transferee, unless a trustee for bondholders is appointed as provided in this Indenture, in which event such trustee shall maintain such registration book.

ARTICLE V - REDEMPTION

If the Company gives notice to the Issuer, the Depository and the Purchaser as provided in Article IX of the Lease that the Bond will be redeemed in whole or in part, and the Company pays principal of and accrued interest, if any, on all or such portion of the Bond, then all or such portion of the Bond shall be deemed to have been redeemed by the Issuer on the date the Company pays the redemption price in an amount equal to the principal amount to be redeemed plus accrued interest, if any, on such principal amount to the redemption date. The Bond shall be subject to mandatory redemption in whole if (i) a Default has occurred and is continuing and the Purchaser declares all unpaid principal of and interest on the Bond immediately due and payable as provided in Section 802 hereof or (ii) the Company notifies the Issuer, the Purchaser and the Depository that the NRC License will not be issued, whereupon any and all unpaid principal of and interest on the Bond shall be immediately due and payable without further notice and the Lease shall terminate subject to the provisions of the Lease with respect to early termination.

ARTICLE VI - THE ACQUISITION ACCOUNT

Section 601. Creation; Deposits. A special account is hereby created with the Depository and designated "Lea County, New Mexico IRB (National Enrichment Facility Project) Series 2004 Acquisition Account" (the "Acquisition Account"). Any moneys received by the Depository on account of any advances of principal under Section 404 will be deposited in the Acquisition Account. The moneys in the Acquisition Account will be held by the Depository and will, subject to the provisions of Sections 605 and 606, be applied to the payment of Related Costs and, pending such application, will be subject to a lien in favor of the Purchaser.

Section 602. Disbursements. The Depository will make payments of Related Costs from the Acquisition Account, but only upon receipt of a requisition and certificate in the form of Exhibit B attached hereto signed by an Authorized Company Representative, stating to whom the payment is to be made, the general purpose for which the obligation to be paid was incurred, and that:

(a) obligations in the stated amounts were incurred for Related Costs and are due and payable (or, if the Company is indicated as the payee, were duly paid by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(b) to the best knowledge of such Authorized Company Representative, there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such Persons to receive payment of, the respective amounts stated in such requisition that has not been released or will not be released simultaneously with the payment of such obligation; and

(c) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of such Authorized Company Representative, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project, and (iii) to the best knowledge of such Authorized Company Representative, either such materials or supplies are

not subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of the requisition.

Section 603. Depository May Rely on Requisitions. All requisitions and certificates received by the Depository as conditions of payment from the Acquisition Account may be conclusively relied upon by the Depository and will be retained by the Depository until the Maturity Date, subject at all reasonable times to examination by the Issuer and other Parties and their respective agents and representatives.

Section 604. Status Reports. Within 30 days after each December 31 occurring after the issuance of the Bond and prior to the Completion Date, and within 30 days after the date of disbursement of all remaining monies in the Acquisition Account, if such disbursement occurs after the Completion Date, the Depository will prepare and send to the Company a written report describing any and all moneys and investments on deposit in the Acquisition Account as of such December 31 (if applicable), and all deposits into and disbursements from the Acquisition Account, if any, during the twelve-month period ending on such December 31 or on the date of such final disbursement, as applicable. The Depository will provide copies of all such reports to the Issuer upon the Issuer's written request.

Section 605. Completion Date. Upon receipt of a certificate from the Company, in the form of Exhibit C attached hereto, signed by an Authorized Company Representative, establishing the Completion Date, the Depository will, to the extent moneys are available therefor, set aside the moneys necessary for the payment of the Related Costs incurred by the Company but not then due or payable as set forth in such certificate and then will transfer any moneys remaining in the Acquisition Account to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys). Notwithstanding anything to the contrary in this Section 605, all moneys, if any, in the Acquisition Account on the Completion Date shall be paid to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys).

Section 606. Payment on Acceleration. If the Purchaser declares the unpaid principal of and accrued interest on the Bond to be immediately due and payable pursuant to Section 802, the Depository will promptly pay all moneys then held in the Acquisition Account to the Purchaser and the Purchaser shall apply such moneys to the unpaid principal of and accrued interest on the Bond.

Section 607. Investments. An Authorized Company Representative will direct the Depository in writing to invest and reinvest moneys in the Acquisition Account in short-term interest-bearing securities or funds or other investments which are at the time authorized under the Act, including but not limited to money market funds maintained by the Depository. Such investments will be deemed at all times to be a part of the Acquisition Account. Any interest accruing on any such investment and any profit realized from such investment will be credited to the Acquisition Account. Any loss resulting from any such investment will be charged to the Acquisition Account. The Depository will use all reasonable efforts to sell at the best price obtainable or present for redemption any such investment when necessary in order to provide cash to meet any payment or transfer from the Acquisition Account. Neither the Depository nor

the Issuer will be liable or responsible for any loss resulting from any such investment or for the early termination thereof if such early termination is required for compliance with the terms of this Indenture. The Depository may make any such investment through its own or its affiliated bond or investment department, unless otherwise directed in writing by an Authorized Company Representative.

ARTICLE VII - PARTICULAR COVENANTS AND PROVISIONS

Section 701. Extent of Covenants; Disclaimer of Liability. It is expressly made a condition of this Indenture that any covenants, stipulations, obligations, representations or agreements contained herein or contained in the Bond do not and will never give rise to a personal or pecuniary liability or be a charge against the general credit or taxing powers of the Issuer, and in the event of a breach of any such covenant, stipulation, obligation, representation or agreement, no personal or pecuniary liability or charge payable by the Issuer directly or indirectly from the revenues of the Issuer other than the Revenues (but excluding Additional Payments) will arise therefrom. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THE BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THE BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE. THE BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS. NONE OF THE PROVISIONS OF THIS INDENTURE SHALL REQUIRE THE ISSUER TO EXPEND OR RISK ITS OWN FUNDS OR TO OTHERWISE INCUR FINANCIAL LIABILITY IN THE PERFORMANCE OF ANY OF ITS DUTIES OR IN THE EXERCISE OF ANY OF ITS RIGHTS OR POWERS HEREUNDER UNLESS IT SHALL HAVE FIRST BEEN ADEQUATELY INDEMNIFIED TO ITS SATISFACTION AGAINST THE COST, EXPENSE AND LIABILITY WHICH MAY BE INCURRED THEREBY.

Section 702. Performance; Authority. The Issuer covenants that it will faithfully perform all covenants and agreements of the Issuer contained in this Indenture and in the Bond. The Issuer represents that it is duly authorized under the constitution and laws of the State of New Mexico, including the Act, to issue the Bond, to execute and deliver this Indenture, and to pledge the Revenues (but excluding amounts described in Subsection 5.3(b)(ii) of the Lease and any amount for indemnification of the Issuer) described in this Indenture, and that it has taken all actions required on its part for the issuance of the Bond, and for the execution and delivery of this Indenture, the Bond Purchase Agreement and the Lease.

Section 703. Obligations Under the Lease. The Issuer: (i) will perform all of its obligations under the Lease, (ii) will not execute or agree to a change, amendment or modification of or supplement to the Lease except by a supplement or an amendment duly executed by the Company with the written approval of the Purchaser, (iii) will not agree to any abatement, reduction or diminution of the Basic Rent without the approval of the Purchaser, and (iv) will not interfere with or otherwise hinder the Purchaser's efforts to exhaust or enforce all legal remedies against the Company for payment of amounts owed under the Lease. The parties

acknowledge that except for Issuer's remedies under Sections 8.3 and 8.4 of the Lease, the Issuer shall not enforce the Lease unless specifically authorized in writing by the Purchaser. However, any actions taken by the Issuer to enforce the Lease shall be at the expense of the Company.

ARTICLE VIII - DEFAULT AND REMEDIES

Section 801. Defaults. Each of the following events is a "Default":

(a) failure to pay any installment of principal of, interest on or redemption price of the Bond when due and such failure continues for a period of five Business Days;

(b) an Event of Default under the Lease occurs and is continuing; or

(c) the Company fails to perform any covenant contained in this Indenture or the other Bond Documents, other than as specified in subsections (a) and (b) above, and such failure is not cured within 30 Business Days after receipt of notice of such failure from any other Party, or, if such failure cannot reasonably be remedied within 30 Business Days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion.

Section 802. Acceleration. If a Default has occurred and is continuing, the Purchaser may by notice to the other Parties declare the then unpaid principal of and all accrued interest on the Bond to be immediately due and payable. Upon such declaration the same will be immediately due and payable by the Company; provided, however, that the Purchaser, by written notice to the other Parties, may annul such declaration and void its effect and waive any such default if all reasonable charges and expenses of the Issuer and the Depository and their agents and counsel shall have been paid or provided for.

Section 803. Issuer and Depository Not Responsible. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. Except as otherwise provided in the Lease, all rights and remedies arising from or related to any Default are the rights and remedies of the Purchaser; provided that, upon request of the Purchaser, the Issuer will cooperate with the Purchaser in the lawful enforcement of its rights and remedies under the Bond Documents upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket cost, expense (including any counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation, subject to the provisions concerning the appointment of a trustee set forth in Article X.

ARTICLE IX - THE DEPOSITORY

Section 901. Acceptance of Duties. The Depository accepts the duties imposed on it by this Indenture, but only on the following express terms and conditions:

(a) The Depository undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations will be read into this Indenture against the Depository. Unless previously terminated by the Company, the Depository's duties hereunder shall continue, subject to the provisions of Subsection 904(d), until

the occurrence of the Completion Date and the disbursement of all moneys remaining on deposit in the Acquisition Account as provided in Section 605.

(b) In the absence of gross negligence or willful misconduct on its part, the Depository may conclusively rely on certificates or notices furnished to the Depository and conforming on their faces to the requirements of this Indenture or the Lease, as the case may be; but if any such certificates or notices are specifically required to be furnished to the Depository under this Indenture or the Lease, the Depository will examine the same to determine whether they conform on their face to the requirements of this Indenture or the Lease, as the case may be.

(c) No provision of this Indenture will be construed to relieve the Depository from liability for its own gross negligence or willful misconduct.

(d) The Depository may consult with counsel and other professionals and the advice of such counsel and other professionals shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Depository hereunder in good faith and in reliance thereon.

(e) The Depository shall be under no obligation to take any action or exercise any right or power under this Indenture unless the Purchaser shall first have provided to the Depository, its directors, officers, agents and employees, security or indemnity satisfactory to the Depository against the reasonable costs (including without limitation reasonable fees of attorneys), expenses and liabilities that might be incurred by the Depository in connection therewith.

Section 902. Compensation. The Company will pay to the Depository its reasonable fees and charges and all of its reasonable expenses (including reasonable counsel fees and expenses) as Additional Payments in accordance with the Lease; provided, however, that such fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser.

Section 903. Qualification. The Depository must be an association or a corporation organized and doing business under the laws of the United States of America or of any state, be granted trust powers under such laws and be subject to supervision or examination by federal or state banking authorities. If at any time the Depository ceases to be eligible in accordance with the provisions of this Section 903, it will resign immediately in the manner and with the effect specified in Section 904.

Section 904. Resignation and Removal.

(a) No resignation or removal of the Depository and no appointment of a successor Depository will become effective until the acceptance of appointment by the successor Depository under Section 905. If a successor Depository does not take office within 90 days after the retiring Depository resigns or is removed, the retiring Depository or the holder of the Bond may petition any court of competent jurisdiction for the appointment of a successor Depository.

(b) The Depository may resign at any time by notice to the other Parties. If an instrument of acceptance by a successor Depository has not been delivered to the retiring Depository within 60 days after the giving of such notice of resignation, the retiring Depository may petition any court of competent jurisdiction for the appointment of a successor Depository.

(c) The Depository may be removed at any time by the Company or the Purchaser upon notice to the other Parties.

(d) The Depository will be automatically removed on the occurrence of the Completion Date and the application of all moneys on deposit in the Acquisition Account as provided in Section 605. No successor Depository shall thereafter be appointed and each reference to the Depository in this Indenture and the Lease will thereafter be ineffective, except that the Depository will continue to have the obligation to (1) retain records as provided in Section 603 until the Maturity Date, and (2) if applicable, prepare and send a final report to the Company as provided in Section 604.

(e) If the Depository resigns or is removed (except as provided in subsection (d) of this Section 904), the Company will promptly appoint a successor Depository and give written notice of such appointment to the Issuer, the Purchaser and the retiring or removed Depository.

Section 905. Successor Depository.

(a) Every successor Depository appointed under this Indenture will execute, acknowledge and deliver to its predecessor and the other Parties an instrument accepting such appointment; and thereupon such successor Depository, without any further act, will become fully vested with all the rights, and subject to all the obligations, of its predecessor; but such predecessor will, nevertheless, on the request of its successor, the Issuer, the Company or the Purchaser execute and deliver an instrument or instruments transferring to such successor Depository all the rights of such predecessor under this Indenture. Every predecessor will deliver all property and moneys held by it under this Indenture to its successor. The Issuer and the Purchaser will execute, acknowledge and deliver any instrument reasonably required by any successor Depository to more fully and certainly vest in such Depository the rights vested in the predecessor Depository by this Indenture.

(b) Notwithstanding any of the foregoing provisions of this Article, any Person qualified to act as Depository under this Indenture with or into which the Person acting as Depository may be merged or consolidated, or to which the corporate trust assets and corporate trust business of such Person may be sold, will automatically become the successor Depository.

ARTICLE X - SUPPLEMENTS AND AMENDMENTS TO INDENTURE

This Indenture may be supplemented or amended only by one or more instruments executed by the Issuer, the Purchaser and the Depository and consented to in writing by the Company. The Depository will execute any such proposed supplement or amendment on the request of the Company or the Purchaser unless the Depository determines in good faith that its rights or obligations under this Indenture would be materially adversely affected by such supplement or amendment. If the rights or obligations of the Depository would be materially and adversely affected by such supplement or amendment, as determined in good faith by the

Depository, the Depository will have no liability for its refusal to enter into such supplement or amendment. Notwithstanding the generality of the foregoing, if the Purchaser gives notice to the Issuer, the Depository and the Company of the Purchaser's desire to have a trustee appointed for the benefit of the Purchaser, the Parties will cooperate in amending this Indenture to facilitate such appointment. Nothing herein is intended to require the Issuer to act in a fiduciary capacity. If the Purchaser transfers the Bond to a holder other than the parent or an affiliate of the Company or the Purchaser, and if circumstances arise which would so require, the Issuer or the Purchaser has the right to request that a trustee be appointed by and at the expense of the Company and the Parties will cooperate in amending this Indenture to facilitate the making of such appointment and providing such other terms and provisions hereof as shall be reasonably requested by the Issuer or the Purchaser in regard to such transaction.

ARTICLE XI - MISCELLANEOUS PROVISIONS

Section 1101. Notices. All notices and reports required under this Indenture shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:	<p>Lea County Lea County Courthouse 100 North Main Street Lovington, NM 88260, Attn.: Dennis Holmberg, County Manager Phone: (505) 396-8601 Fax: (505) 396-2093</p>
with a copy to:	<p>Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 Fourth Street N.W. Suite 1000 Albuquerque, New Mexico 87102 Attention: Duane Brown and Peter Franklin</p>
If to the Company:	<p>Louisiana Energy Services, L.P. 1133 Connecticut Avenue NW, Suite 200 Washington, D.C. 20036 Attention: E. James Ferland, President Phone: (202) 659-4344 Fax: (202) 659-0791</p>

with a copy to:

Rodey Law Firm
201 Third St., Suite 2200
Albuquerque, NM 87102
Attention: Donald B. Monnheimer
Phone: (505) 766-7556
Fax: (505) 768-7395

If to the Purchaser:

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036
Attention: E. James Ferland, Managing Member
Phone: (202) 659-4344
Fax: (202) 659-0791

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 1102. Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of the Lease and Section 1112 of this Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default.

Section 1103. Beneficiaries. Nothing expressed or implied in any of the Bond Documents is intended or is to be construed to confer upon any Person other than the Parties (and in the case of Section 6.3 of the Lease, the Indemnified Parties, and in the case of Section 6 of the Bond Purchase Agreement, the Indemnified Parties) any right, remedy or claim, legal or equitable.

Section 1104. Severability. In the event any provisions of this Indenture or the Bond shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Indenture or the Bond; provided, however, that if enforcement of this Indenture or the Bond absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then this Indenture or the Bond shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 1105. Obligations of Issuer Not Obligations of Officials Individually. All obligations of the Issuer under the Bond Documents and the Bond will be deemed to be obligations of the Issuer to the full extent permitted by the constitution and laws of the State. No obligation under any of the Bond Documents or the Bond will be deemed to be an obligation of any present or future officer (including, without limitation, any member of the Board of Commissioners) or employee of the Issuer in his or her individual capacity, and no officer of the Issuer who executes the Bond will be personally liable on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 1106. Payments Due on Days That Are Not Business Days. If the date for any payment called for under any of the Bond Documents or the Bond is not a Business Day, then such payment will be made on the next Business Day and no interest on such payment will accrue for the period from such scheduled payment date to and including such next Business Day.

Section 1107. Execution in Counterparts. This Indenture may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute this Indenture by executing any such counterpart of this Indenture.

Section 1108. Amendments. This Indenture may be amended only by one or more instruments executed by the Issuer, the Depository and the Purchaser, and consented to in writing by the Company. The Issuer shall amend this Indenture as requested by the Company or a lender or other entity providing all or any part of the Project Financing (as defined in the Lease), provided any such amendment is not inconsistent with the Bond Ordinance.

Section 1109. Applicable Law. The validity, construction and effect of each of the Bond Documents will be governed by the law of the State applicable to agreements made and to be performed in the State, without regard or effect given to conflict of laws rules that would require the application of the laws of any other jurisdiction.

Section 1110. Survival. The provisions of Sections 901 and 902 of this Indenture shall survive payment of the Bond and the expiration or earlier termination of this Indenture.

Section 1111. Non-Merger. The provisions of this Indenture shall survive the conveyance of the Project Property to the Issuer, the reconveyance of the Project Property to the Company and all other performances hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 1112. Limitation of Liability of Issuer. No agreements or provisions contained in any Bond Document or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project Property or any property of the Company financed, directly or indirectly, out of Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body or constitute a charge against the Issuer's general credit, or obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture. No failure of the Issuer to comply with any terms, covenants or agreements in

any Bond Document or in any document executed by the Issuer in connection with the Bond will subject the Issuer, its officers and members of its governing body to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the Basic Rent. Without limiting the requirement to perform its duties or exercise its rights and powers under the Bond Documents upon receipt of appropriate indemnity or payment, none of the provisions of any Bond Document will require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under any Bond Document. Nothing in any Bond Document will preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement in the Bond Documents, provided, that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds or property available under the Lease or the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture.

Section 1113. Title Headings. The title and headings of the articles, sections and subdivisions of this Indenture have been used for convenience only and will not modify or restrict any of the terms or provisions of this Indenture.

Section 1114. Binding Effect. This Indenture shall inure to the benefit of and shall be binding upon the Issuer, the Purchaser, the Depository, and their respective successors and assigns.

Section 1115. Recording. The Lease, this Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. The Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of this Indenture. The recording of any document under this Section 1115, and the filing of any financing statement (including amendments, continuation statements and terminations) pertaining to the Lease, this Indenture or the Bond, if deemed necessary, unless waived by the Purchaser, shall be the responsibility of the Company. The Purchaser may record or file any document if the Company refuses or fails to do so.

Section 1116. No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by any party of any covenant, agreement or undertaking, the non-defaulting parties may nevertheless accept from the party in breach any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 1117. No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Indenture, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily

injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

IN WITNESS WHEREOF, the Parties have executed this Indenture the date set forth
above.

ISSUER:

LEA COUNTY, NEW MEXICO

By: _____

Name: Harry Teague

Its: Chairman of the Board of Commissioners

PURCHASER:

NEF SERIES 2004, LLC

By: _____

Name: _____

Its: _____

DEPOSITORY:

BANK OF ALBUQUERQUE, N.A.

By: _____

Name: _____

Its: _____

State of New Mexico)
) ss.
County of Lea)

The foregoing instrument was acknowledged before me on _____, 2004, by
Harry Teague, as Chairman of the Board of Commissioners of Lea County, New Mexico, a
governmental subdivision of the State of New Mexico.

Notary Public

My commission expires: _____

State of _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me on _____, 2004,
by _____, as _____ of NEF
Series 2004, LLC, a Delaware limited liability company.

Notary Public

My commission expires: _____

State of New Mexico)
) ss.
County of Bernalillo)

This instrument was acknowledged before me on _____, 2004, by
_____, as _____ of Bank of
Albuquerque, N.A.

Notary Public

My commission expires: _____

EXHIBIT A

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW AND IS TRANSFERABLE ONLY UPON COMPLIANCE WITH THE INDENTURE AND PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS APPLICABLE TO THE TRANSFER AT THE TIME OF THE TRANSFER

No. R-1

Up to \$1,800,000,000

United States of America
State of New Mexico

Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

MATURITY DATE

January __, 2034

ISSUE DATE

January __, 2004

LEA COUNTY, NEW MEXICO, a governmental subdivision of the State of New Mexico, duly organized and existing under the constitution and laws of the State of New Mexico (the "Issuer"), for value received, promises to pay, solely from the source described below, to NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees, the "Purchaser"), on the Maturity Date, One Billion Eight Hundred Million Dollars (subject to prior optional or mandatory redemption as described below) or so much of such amount as has been advanced by the Purchaser and is outstanding and interest thereon as hereinafter provided. Amounts advanced with respect to this Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on this Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to this Bond shall be subject to the terms and conditions set forth in the Bond Purchase Agreement and the Indenture (as those instruments are identified below). Interest on principal amounts outstanding under this Bond shall be payable on each anniversary of the Issue Date commencing January __, 2005 until and including the Maturity Date (each an "Interest Payment Date"). The entire principal amount of this Bond shall be payable in one payment on the Maturity Date. Payment of the principal of and interest due on the Maturity Date will be made upon presentation and surrender of this Bond for cancellation at the principal offices of the Company (as defined below). This Bond is subject to prior redemption at the times and at the redemption prices specified in the Indenture.

This Bond was duly authorized and is issued under and pursuant to the constitution and laws of the State of New Mexico, particularly Chapter 4, Article 59 NMSA 1978, as amended (the "Act"), and under and pursuant to Ordinance No. _____, duly adopted by the Issuer.

This Bond has been issued by the Issuer in connection with an industrial revenue bond project pursuant to the Act as described below.

The principal of, interest on and redemption price of this Bond are payable by the Issuer solely from the proceeds of the Bond and certain revenues derived by the Issuer from the leasing and sale of a commercial project under and pursuant to a Lease and Purchase Agreement dated the Issue Date (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), which Lease pertains to the acquisition, construction and installation of a facility that will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry, to be located in Lea County, New Mexico and not within the boundaries of any incorporated municipality within Lea County (the "Project"), and which proceeds and revenues have been pledged and assigned by the Issuer to the Purchaser under an Indenture dated the Issue Date (together with any amendments and supplements, the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A. as depository (the "Depository").

Reference is made to the Indenture, the Lease, and the Bond Purchase Agreement (as defined in the Indenture) for the provisions, among others, with respect to the custody and application of the proceeds of the sale of this Bond, the collection and disposition of income and other revenues, restrictions on transfer of this Bond, a description of the revenues pledged and assigned to the payment of the principal of, interest on and redemption price of this Bond, the nature and extent of the security for this Bond, the terms and conditions under which this Bond is issued and amounts to be advanced with respect to this Bond by the Purchaser, and the rights, duties and obligations of the Issuer, the Company, the Purchaser and the Depository. By accepting this Bond, the holder accepts and undertakes to perform all of the obligations of the Purchaser.

This Bond is a special limited obligation of the Issuer payable by the Issuer solely from funds or property available under the Lease and the Indenture that have been pledged and assigned to the Purchaser to secure payment hereof.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW MEXICO OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THIS BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THIS BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE OF NEW MEXICO. THIS BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF NEW MEXICO OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS.

This Bond may be called for redemption, as provided in the Indenture, at the option of the Company in whole or in part on any date selected by the Company, at a redemption price equal to the principal amount to be redeemed plus interest accrued on such principal amount to the redemption date.

If a Default (as defined in the Indenture) occurs, the Bond shall be subject to mandatory redemption if the Purchaser declares all unpaid principal of and interest on the Bond to be immediately due and payable as provided in the Indenture. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. The Bond also shall be subject to mandatory redemption upon notification by the Company that the NRC License (as defined in the Lease) will not be issued in connection with the Project.

The Purchaser is authorized to endorse on Schedule A attached hereto and made a part of this Bond, the date and amount of each advance by the Purchaser pursuant to Section 404 of the Indenture and each principal payment on and redemption in part of this Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of the Issuer, the Company or the Purchaser.

This Bond may be transferred in whole but not in part.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond and the execution of the Indenture have happened, exist and have been performed as so required.

The validity, construction and performance of this Bond are governed by the law of New Mexico applicable to agreements made and to be performed in New Mexico.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by its Chairman of the Board of Commissioners or Vice Chairman of the Board of Commissioners and its seal to be affixed hereto and attested by its County Clerk or a Deputy County Clerk.

LEA COUNTY, NEW MEXICO

By: _____
Its: Chairman of the Board of Commissioners

(SEAL)

Attest:

Its: County Clerk

EXHIBIT B

REQUISITION AND CERTIFICATE

To: Bank of Albuquerque, N.A., as Depository

The undersigned, pursuant to the Indenture dated January __, 2004 (the "Indenture"), among Lea County, New Mexico (the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser, and Bank of Albuquerque, N.A., as Depository, requests on behalf of Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), the disbursement of \$_____ from the Acquisition Account (as defined in the Indenture) to pay the following costs and expenses related to acquisition, construction or installation of the Project Property (as defined in the Indenture) or to the issuance of the Bond (as defined in the Indenture):

<u>Amount</u>	<u>General Classification of Expenditure</u>	<u>Payee</u>
\$		

Total: \$

The undersigned certifies that:

(i) obligations in the stated amounts were incurred for Related Costs (as defined in the Indenture) and are due and payable (or, if the Company is indicated as the payee, were duly paid in advance by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(ii) to the best knowledge of the undersigned there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such payee to receive payment of, the respective amounts stated in such requisition which has not been released or will not be released simultaneously with the payment of such obligation; and

(iii) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of the undersigned, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project (as defined in the Indenture) as part of the Project, and (iii) to the best knowledge of the undersigned, either such materials or supplies are not

subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of this requisition.

DATED: _____.

Name: _____
Title: _____
Authorized Company Representative

EXHIBIT C

COMPLETION CERTIFICATE

The undersigned Authorized Company Representative, pursuant to Section 605 of the Indenture dated January __, 2004, among Lea County, New Mexico (the "Issuer"), Bank of Albuquerque, N.A., as Depository, and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser (the "Indenture"), states that, except for specified amounts remaining in the Acquisition Account for any Related Costs shown below incurred by the Company but not now due and payable, the Project is complete and all costs of labor, services, materials and supplies in connection with the Project Property have been paid or provisions have been made for their payment. After the transfer of remaining moneys in the Indenture, the Company will have sole responsibility for the payment of any Related Cost in excess of the amount specified to be retained in the Acquisition Account. Capitalized terms used in this certificate shall have the meanings assigned thereto in the Indenture.

Related Costs Not Yet Due and Payable

<u>Amount</u>	<u>For</u>
\$ _____	_____

\$ _____	_____

\$ _____	_____

DATED: _____

Name: _____
Title: _____
Authorized Company Representative

LEA COUNTY, NEW MEXICO

AND

LOUISIANA ENERGY SERVICES, L.P.,
a Delaware limited partnership

LEASE AND PURCHASE AGREEMENT

Dated January ____, 2004

\$1,800,000,000
Lea County, New Mexico
Industrial Revenue Bond
(National Enrichment Facility Project)
Series 2004

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THIS LEASE AND PURCHASE AGREEMENT is made this ____ day of January, 2004 between the LEA COUNTY, NEW MEXICO, a governmental subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico (together with its successors and assigns, the "Issuer"), and LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership (together with its successors and assigns, the "Company").

ARTICLE I - RECITALS

Section 1.1 Recitals. Capitalized words and terms that are not defined in the Recitals below are defined as provided in Section 2.1 hereof.

A. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 Compilation, as amended (the "Act"), Lea County is authorized to acquire industrial revenue projects to be located within Lea County outside the boundaries of any incorporated municipality for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State of New Mexico, and promoting a sound and proper balance in the State of New Mexico between agriculture, commerce, and industry.

B. The Company has presented to the County a proposal (the "Project Plan") under which the Issuer would issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum aggregate principal amount of \$1,800,000,000 (the "Bond") to accomplish the acquisition, construction and installation of a project under the Act (the "Project," as more specifically defined in Section 2.1 below).

C. Following review of the Project Plan, and in order to promote the local health and general welfare, safety, convenience, and prosperity of the inhabitants of Lea County, the Issuer deems it desirable and appropriate, and in accordance with the purposes of the Act, to issue the Bond and make the proceeds thereof available to the Company pursuant to this Lease and Purchase Agreement for the purposes described herein and in the Indenture.

D. The Board of Commissioners of Lea County has adopted Ordinance No. _____, which authorizes the acquisition of the Project subject to the terms of this Lease, and the issuance of the Bond.

E. The Bond is to be issued under an Indenture dated the Closing Date (together with any and all amendments and supplements thereto, the "Indenture") among the Issuer, [an entity to be formed by LES to act as Bond purchaser and hold the Bond] (together with its successors and assigns, and permitted transferees of the Bond, the "Purchaser"), and Bank of Albuquerque, N.A., as depository (the "Depository").

F. The proceeds of the Bond will be used to finance the acquisition, construction and installation of the Project. The Project is to be leased to the Company under this Lease and Purchase Agreement dated the Closing Date.

G. The Bond is to be purchased under a Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company.

H. The Bond to be issued under the Indenture will be a special limited obligation of the Issuer payable as provided therein. The Bond will not constitute a debt or pledge of the credit of the Issuer, and the Purchaser will have no right to have taxes levied by the Issuer or to require the Issuer to use any revenues for the payment of the Bond, except for the Revenues (but excluding the Additional Payments).

ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 2.1 Definitions. All capitalized words and terms defined in the Indenture have the same meanings when used in this Lease. In addition to the definitions in the Recitals in Section 1.1 hereof, the capitalized words and terms used in this Lease shall have the following meanings:

"Acquisition Account" has the meaning assigned in the Indenture.

"Additional Payments" has the meaning assigned in Section 5.3(b) hereof.

"Authorized Company Representative" has the meaning assigned in the Indenture.

"Authorized Issuer Representative" means the Chairman and Vice Chairman of the Board of Commissioners of Lea County, New Mexico, or any one of the persons at the time designated to act on behalf of the Issuer in a certificate furnished to the Company and the Depository containing the specimen signatures of such persons and signed on behalf of the Issuer by the Chairman of the Board of Commissioners.

"Basic Rent" has the meaning assigned in Section 5.3(a) hereof.

"Bond Documents" means, collectively, this Lease, the Indenture and the Bond Purchase Agreement.

"Bond Ordinance" means the Issuer's Ordinance No. _____, adopted December 16, 2003.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company, together with any and all amendments and supplements thereto.

"Business Day" has the meaning assigned in the Indenture.

"By-Product Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "byproduct material," such broader meaning will apply subsequent to the effective date of such amendment

"Completion Date" has the meaning assigned in Section 4.1(c) hereof.

"Closing Date" means the date of issuance of the Bond.

"Easement" means and refers to that Grant of Easement and Right-of-Way effective August 22, 2003, from the New Mexico Commissioner of Public Lands, as grantor, to the Company, as grantee, permitting the Company to use and occupy the real property subject to the easement and to lease its interest thereunder to the Issuer for purposes of the Project, to wit: that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located in Lea County as described in Exhibit A attached hereto, and by this reference made a part hereof, as the Project Site, pending the acquisition of fee ownership of such real property by the Company.

"Eminent Domain" means the taking of title to, or the temporary use of, all or any part of the Project Property pursuant to eminent domain or condemnation proceedings, or by any settlement or compromise of such proceedings, or any voluntary conveyance of all or any part of the Project Property during the pendency of, or as a result of a threat of, such proceedings.

"Environmental Laws" means any laws, statutes, regulations, orders or rules pertaining to health or the environment that are applicable from time to time to the Project Site, the construction and installation of the Improvements, the operation, use and decommissioning of, and storage at, the Project Property, including, without limitation, the Atomic Energy Act of 1954, as amended ("AEA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976 ("RCRA"), the National Environmental Policy Act, the Clean Air Act, the Clean Water Act, the Water Quality Act of 1987, the National Historic Preservation Act, the New Mexico Water Quality Act, the New Mexico Hazardous Waste Act, the New Mexico Air Quality Control Act and the New Mexico Radiation Protection Act.

"Equipment" means all equipment, fixtures and furnishings, and all other personal property of any kind that is subject to depreciation for federal income tax purposes and is suitable for use and used as part of the Project, and that is purchased with Bond proceeds, or the purchase of which by the Company is reimbursed with Bond proceeds, together with equipment, fixtures, furnishings and other depreciable personal property that are in replacement thereof due to damage or obsolescence.

"Event of Default" has the meaning assigned in Section 8.1 hereof.

"Hazardous Material" means (i) "hazardous materials," "hazardous substances," "hazardous wastes" as defined in the Environmental Laws and (ii) any other material regulated under the Environmental Laws.

"Improvements" means all buildings, structures and other improvements existing or to be constructed on the Project Site in connection with the Project, together with related demolition and site work, and Equipment.

"Inducement Resolution" means the Issuer's Resolution No. 2003-Aug-027R, adopted on August 5, 2003, which resolution declared the intent of the Issuer, subject to the satisfaction of certain conditions, to issue the Bond.

"Indemnitee" has the meaning assigned in Section 6.3 hereof.

"Lease" means this Lease and Purchase Agreement dated the Closing Date between the Issuer and the Company, together with any and all amendments and supplements thereto.

"Licensing Approvals" has the meaning assigned in Section 4.1(a) hereof.

"NMSA 1978" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and superseded by subsequent compilations.

"NRC" means the Nuclear Regulatory Commission or its duly authorized representative.

"NRC License" means the license to be issued by the NRC authorizing the Company to construct, occupy, operate and use the Project, including but not limited to all necessary storage in connection with such operation and use.

"Permitted Liens" means, as of the date of delivery of this Lease, the liens and encumbrances shown in Exhibit B attached hereto, and by this reference made a part hereof, and, as of any particular time, (i) liens for taxes and special assessments, if any, to the extent permitted in Section 4.9, (ii) this Lease and any assignment of lease permitted by this Lease and the Indenture and any supplements thereto, (iii) easements, licenses, rights-of-way and other rights or privileges in the nature of easements permitted in Section 4.13, (iv) mechanics', materialmen's, carriers' and other similar liens to the extent permitted in Section 4.17, (v) liens and other encumbrances placed by the Issuer and/or the Company on the Project Property in connection with obtaining the Project Financing, and (vi) such minor defects, irregularities, encumbrances, easements, rights-of way and clouds on title to the Project Property as normally exist with respect to similar properties and as do not, individually or in the aggregate, materially impair the Project Property for the purpose for which it is used by the Company or materially detract from the value of the Project Property.

"Proceeds" means, when used with respect to any insurance proceeds or any award resulting from, or other amount received in connection with, Eminent Domain, the gross proceeds from the insurance or such award or other amount.

"Project" means, as the context requires, (i) the acquisition of an interest in the Project Site and the acquisition, construction and installation of Improvements in connection with the establishment of a uranium enrichment facility, including related buildings, storage, infrastructure, equipment and other improvements on the Project Site and the operation and decommissioning of such facility, or (ii) the final products of the actions described in the foregoing clause (i), or both meanings of the foregoing clauses (i) and (ii).

"Project Financing" means a transaction or series of transactions to which the Company is a party occurring after the Closing Date for the purpose of obtaining the necessary financing for the Project.

"Project Property" means the Project Site and the Improvements.

"Project Site" means that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located within Lea County and not within the boundaries of any incorporated municipality in the County, as more specifically described in Exhibit A, provided that until such

time as the Company obtains fee title to the real property described in Exhibit A, "Project Site" shall mean the rights and interests of the Company under the Easement, which contemplates the use and occupancy of the real property described in Exhibit A, for purposes authorized in the Easement, including but not limited to the issuance of the Bond and the acquisition, construction and installation of the Project.

"Related Costs" has the meaning assigned in the Indenture.

"Rent" means Basic Rent, any Additional Payments and any other amount payable by the Company under this Lease.

"Source Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "source material," such broader meaning will apply subsequent to the effective date of such amendment

"Special Nuclear Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "special nuclear material," such broader meaning will apply subsequent to the effective date of such amendment

"State" means the State of New Mexico.

"Term" means the period from the date of the execution and delivery of this Lease by the Issuer and the Company (a) to the earlier of the date of Payment of the Bond (as defined in the Indenture) upon (i) maturity of the Bond on the anniversary of the Closing Date in 2034 ("maturity date") or (ii) redemption of the Bond in whole prior to the maturity date; or (b) to the date the Company sends a notice of termination to the Issuer and the Purchaser and Depository as provided in Article V of the Indenture on the grounds that the NRC License will not be issued, but in no event later than the thirtieth anniversary of the Closing Date.

"TRD" means the New Mexico Taxation and Revenue Department.

"Unassigned Rights" means the Issuer's rights to enforce any of the obligations which the Company is responsible for performing on behalf of or for the benefit of the Issuer, pursuant to Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

"Unassigned Rights Obligations" means the Company's obligations set forth in Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

Section 2.2 Rules of Construction.

(a) All references in this Lease to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Lease unless some other reference is established.

(b) Any inconsistency between the provisions of this Lease and the provisions of the Indenture will be resolved in favor of the provisions of the Indenture.

ARTICLE III - REPRESENTATIONS

Section 3.1 Issuer Representations. The Issuer represents that, as of the Closing Date:

(a) The Issuer is a governmental subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico and has the power to enter into the transactions contemplated by this Lease and the Indenture and to carry out its obligations under this Lease and the Indenture.

(b) The Issuer has duly authorized the execution, delivery and performance of the Bond Documents and the issuance of the Bond all for the purpose of financing the Project and paying certain costs related to the issuance of the Bond.

(c) To finance the Project, the Issuer will issue the Bond with the terms set forth in the Indenture. The Bond will be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Lease and the Revenues (but excluding Additional Payments) will be pledged and assigned to the Purchaser as security for the payment of the Bond.

(d) The execution, delivery and performance by the Issuer of the Bond Documents will not conflict with or create a material breach of or a material default under the Act or any other law, rule, regulation or ordinance applicable to the Issuer or any agreement or instrument to which the Issuer is a party or by which it is bound, and there is no action, suit, proceeding, inquiry or investigation by or before any court, public board or body, pending or, to the best knowledge of the Issuer, threatened, against the Issuer, which seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents or in any manner questions the validity or enforceability of the Bond or any of the Bond Documents.

(e) The Issuer has no power under the Act to operate the Project as a business or otherwise or to use or acquire the Project Property for any purpose, except as lessor thereof under the terms of this Lease.

Section 3.2 Company Representations. The Company represents that, as of the Closing Date:

(a) The Company is a limited partnership organized and validly existing under the laws of Delaware, is registered as a foreign limited partnership in the State, is in good standing under the laws of the State, and has duly authorized the execution, delivery and performance of this Lease and the Bond Purchase Agreement.

(b) The Company has full right, power and authority to approve the execution, delivery and performance of this Lease and the Bond Purchase Agreement and to perform its obligations under this Lease and the Bond Purchase Agreement.

(c) The execution, delivery and performance by the Company of this Lease and the Bond Purchase Agreement, and the application by the Company of the proceeds of the issuance and sale of the Bond as provided in the Bond Documents, do not and will not conflict

with, contravene, violate or constitute a breach of or a default under its certificate of limited partnership or partnership agreement or any other agreement or instrument to which the Company is a party or by which the Company or any of its property is bound or any law, rule, regulation, decree or order applicable to the Company; nor will such execution, delivery, and performance result in the imposition of liens or other encumbrances on any of the Company's properties other than Permitted Liens and the liens created by the Bond Documents.

(d) When executed and delivered, the Bond Purchase Agreement and this Lease will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(e) No Event of Default, or event or condition that, with notice or lapse of time or both, would constitute an Event of Default with respect to the Company, has occurred and is continuing.

(f) All necessary authorizations, approvals, consents and other orders of any governmental authority or agency for the execution and delivery by the Company of this Lease and the Bond Purchase Agreement have been obtained and are in full force and effect.

(g) There is no action, suit, or proceeding at law or in equity by or before any court, public board or body pending or, to the best of the knowledge of the Company, threatened, against or affecting the Company, which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own, lease, occupy and use under an easement or right-of-way, operate or purchase any of the Project Property, or (iv) if adversely determined, could have a material adverse effect on the Company, the Project Property or the Company's ability to perform under the Bond Documents.

(h) The Company has not received any notice of an alleged violation and to the best of its knowledge, the Company is not in violation of any zoning, land use, the Environmental Laws or other similar law or regulation applicable to the Project or the Project Site.

(i) The location of the Project Site for use in connection with the Project does not violate any applicable law, statute, ordinance, rule, regulation, order or determination, and upon issuance of all necessary authorizations, licenses, approvals and consents, including but not limited to the NRC License, the construction, installation, operation and maintenance of the Project Property will not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any governmental authority (including the governmental authority or authorities providing such authorizations, licenses, approvals, consents and other necessary orders), or any restrictive covenant, deed restriction or easement or right-of-way (recorded or otherwise) affecting the Project Property, including, without limitation, the Easement and all applicable zoning ordinances and building codes and the Environmental Laws.

(j) The Project Site is not the subject of any existing, pending or threatened investigation or inquiry by any governmental authority or subject to any remediation obligations under the Environmental Laws.

(k) No representation made by the Company in this Lease and no statement made by the Company in any information, material or report furnished to the Issuer or the Purchaser in connection with the transactions contemplated by this Lease contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) The Company is not in material default in the payment of the principal of or interest on any indebtedness for borrowed money or in material default under any instrument or agreement under and subject to which any indebtedness for borrowed money has been issued.

(m) The Related Costs are estimated to be equal to or less than the face amount of the Bond, but the Company acknowledges that the Issuer has made no warranty or representation, express or implied, that the amount in the Acquisition Account will be sufficient to pay such Related Costs or that the Project Property will be suitable to the Company's needs.

(n) The Company has the economic ability to meet all of the financial obligations imposed upon the Company under this Lease.

(o) The agreement by the Issuer to lease and sell the Project Property to the Company, to the extent of its rights and ownership in such property, has induced the Company to undertake the acquisition, construction, improvement, installation, furnishing and equipping of the Project Property.

(p) The Company intends to operate or to cause the Project to be operated as a facility to enrich uranium for commercial purposes until at least the later of (i) the payment in full of the principal of, premium, if any, and interest on the Bond or (ii) the sooner termination of this Lease as provided herein.

(q) The Project Property will be located in Lea County, and not within the boundaries of any incorporated municipality within the County.

Section 3.3 Survival of Representations. All representations of the Issuer and the Company contained in this Lease or in any certificate or other instrument delivered by the Issuer or the Company pursuant to this Lease or in connection with the transactions contemplated by the Bond Documents, shall survive the execution and delivery of this Lease, the issuance, sale and delivery of the Bond, the termination of this Lease and the payment of the Bond, as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

ARTICLE IV - THE PROJECT

Section 4.1 Acquisition, Construction, Equipping and Completion.

(a) On or prior to the date of issuance and delivery of the Bond and execution of this Lease, the Company has conveyed or caused to be conveyed to the Issuer, by deed, lease, sublease, bill of sale or such other appropriate transfer or conveyance document, either the fee title to the Project Site or a leasehold interest in and to the Company's rights under the Easement, including any and all Improvements which may exist at that time. The Company will convey or cause to be conveyed to the Issuer, fee title to the Project Site by appropriate deed promptly upon acquiring such title from the owner thereof and thereupon, this Lease shall be deemed to be a lease of the Issuer's fee interest in the Project Site to the Company and the Easement shall terminate in accordance with its terms. Upon conveyance of fee title, the Issuer shall be vested with good title in and to the Project Site subject to the terms of this Lease and the Permitted Liens. Not later than the final non-appealable issuance of the NRC License and any other necessary licenses, approvals, permits, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction over the Project (collectively, the "Licensing Approvals"), the Company will, on behalf of and as agent for the Issuer, undertake to obtain Project Financing and to acquire, construct and install the Project Property, with the Improvements to be constructed and installed in several phases. The Company will issue a certificate to the Issuer, the Purchaser and the Depository establishing the date when all Licensing Approvals have been received. The Company presently contemplates that all phases of the Project will be completed within ten (10) years following receipt of all Licensing Approvals and the Project Financing. In the event such acquisition, construction and installation occurs prior to the receipt of proceeds of the sale of the Bond, the Company will advance all necessary funds. To the extent necessary, after all proceeds of the issuance of the Bond have been exhausted, the Company will finance the completion of the Project with its own funds. The Issuer agrees to cooperate with the Company, at the sole expense of the Company, in the Company's efforts to take all necessary steps to cause the records of the Lea County Assessor's Office to reflect (i) on or before January 1, 2005, the acquisition and ownership of the Project Property by the Issuer under the Act in order to permit the Project Property to be exempt from property taxation pursuant to Section 7-36-3 NMSA 1978.

(b) The Issuer makes no warranty that the funds in the Acquisition Account are sufficient to pay the entire Related Costs. If the Company makes any payment pursuant to this Section 4.1, it will not be entitled to reimbursement or reduction of the Rent. Subject to Section 4.17, the Company will not allow any contractor, subcontractor, materialman or laborer with respect to the Project to remain unpaid, and will take all actions or cause to be taken all actions necessary to prevent liens by such parties being filed against the Project Property. The application of the proceeds of the sale of the Bond and the disbursement of the same from the Acquisition Account will be governed by and subject to the terms and conditions of the Indenture.

(c) On the date the final phase of the Project is complete, in the sole opinion of the Company (the "Completion Date"), the Company will deliver to the Issuer and the Depository a certificate signed by an Authorized Company Representative stating that, except for specified amounts remaining in the Acquisition Account for any specified Related Costs incurred

by the Company but not then due and payable, the Project is complete and all costs in connection with the Project have been paid for or provision has been made for their payment.

Section 4.2 Project under the Act.

(a) The Company will not make any changes to the Project, as described in the Project Plan, that will change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act, and will not operate the Project so as to cause the Project Property not to be a "project" within the meaning of the Act.

(b) The Company shall have the sole responsibility for the acquisition, construction and installation of the Project as agent for the Issuer, and may perform the same, by itself or through affiliates, agents, contractors or others selected by it, in whatever lawful manner it deems necessary, and procure from the appropriate State, county, municipal and other authorities, corporations and other entities, connection and discharge arrangements for the supply of natural gas and other fuel, as necessary, and for electricity, water, sewer and other commodities for the operation of the Project.

(c) In the exercise of any remedies provided in Sections 8.3 and 8.4 hereof, the Issuer shall not take any action at law or in equity that could result in the Issuer obtaining possession of the Project Property or operating the Project as a business or otherwise.

Section 4.3 Agreement to Issue Bond. In order to provide funds for the Project, the Issuer will issue and deliver the Bond in accordance with the Indenture. The Issuer will cause the proceeds of the sale and funding of the Bond to be deposited into the Acquisition Account, all as provided in the Indenture.

Section 4.4 No Warranty. THE COMPONENTS OF THE PROJECT PROPERTY HAVE BEEN DESIGNATED AND SELECTED BY THE COMPANY. THE ISSUER HAS NOT MADE AN INSPECTION OF ANY PORTION OF THE PROJECT PROPERTY. THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED OR OTHERWISE, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY OR THE LOCATION, USE, DESCRIPTION, DESIGN, TECHNOLOGY, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY OF THE SAME, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN THE SAME. ALL RISKS INCIDENT TO THE PROJECT PROPERTY ARE TO BE BORNE BY THE COMPANY. THE ISSUER WILL HAVE NO LIABILITY WITH REGARD TO OR ARISING OUT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN ANY PORTION OF THE PROJECT PROPERTY, WHETHER PATENT OR LATENT. THE PROVISIONS OF THIS SECTION 4.4 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED TO THE EXTENT ALLOWED BY LAW, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY, WHETHER ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 4.5 Gross Receipts and Compensating Tax.

(a) The Company, either on its own behalf or as agent for the Issuer pursuant to Section 4.1 and this Section, will file returns for reporting and paying compensating tax which is due because of the Project and will pay, as a Related Cost, any gross receipts or compensating tax due from the Issuer under any such returns pursuant to Sections 7-9-14 and 7-9-54 NMSA 1978. The Issuer, at the request of the Company, or the Company, as agent for the Issuer, will apply to the TRD for nontaxable transaction certificates (as such term is used in the Gross Receipts and Compensating Tax Act, Chapter 7, Article 9, NMSA 1978) ("Nontaxable Transaction Certificates") to be issued by the Company, as agent for the Issuer, to vendors, in order to permit the vendors to claim deductions available under the New Mexico Gross Receipts and Compensating Tax Act for the vendors' receipts from the Company, as agent for the Issuer, for sales of Project Property. The Company will pay any gross receipts or compensating tax plus applicable penalty and interest that is found by the TRD to be due from the Company or the Issuer with respect to the Project. The Company, at its sole expense, may request any rulings from the TRD which the Company determines may be necessary or desirable to clarify the New Mexico gross receipts and compensating tax implications of transactions related to the Project and may dispute, at its sole expense, in any manner authorized by the New Mexico Tax Administration Act or other applicable procedures, any gross receipts or compensating tax liability imposed on the Company or the Issuer because of the Project, provided the Company shall not pursue a dispute that, in the reasonable opinion of the Issuer, will materially and adversely affect the interest or rights of the Issuer. The Issuer specifically acknowledges that since the adoption of the Inducement Resolution, an agency relationship for purposes of the gross receipts tax deduction under Section 7-9-54 NMSA 1978 and applicable regulations has existed between the Issuer and the Company with respect to the Project. The Issuer agrees, at the request and expense of the Company, to make reasonable modifications to this Lease that are necessary or desirable to obtain Nontaxable Transaction Certificates or otherwise reduce the gross receipts and compensating tax imposed upon the Company or the Issuer as a result of the Project or its operation.

(b) The receipts of vendors from the sale of tangible personal property to the Issuer, which tangible personal property is included in the Project Property (but excluding "construction material", as defined in Section 7-9-3.4(B) NMSA 1978), shall be deductible from gross receipts or governmental gross receipts, and exempt from compensating tax, to the fullest extent permitted by Sections 7-9-14 and 7-9-54 NMSA 1978 and 3.2.212.22 NMAC and sections of the NMSA 1978 and the New Mexico Administrative Code (NMAC) under which such provisions or similar provisions may be codified or renumbered in the future. The deduction from gross receipts or governmental gross receipts, and the exemption from compensating tax, shall not apply to purchases of Project Property except as provided in the preceding sentence, and, except as contemplated in the preceding sentence, the Company shall not be authorized by this Lease to provide Nontaxable Transaction Certificates to vendors.

Section 4.6 Assessment in the Company's Name. Notwithstanding any other provisions of this Lease, if this Lease has not been terminated on or before the Maturity Date (see definition in Indenture), then the Issuer shall convey the Project Property to the Company on the Maturity Date, the Company will take all necessary action to have the Project Property assessed for property tax purposes in the name of the Company on and after the Maturity Date, and the Company will pay all ad valorem taxes imposed on the Project Property from and after the

Maturity Date. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

Section 4.7 Compliance With Law. The Company will obtain, or cause to be obtained, all Licensing Approvals necessary for the construction, installation, operation or maintenance of any Improvements prior to commencement of each such activity. The Company will obtain or cause to be obtained all necessary licenses, permits and approvals for storage on or at the Project Site, will comply with all lawful requirements of any governmental body, agency or department regarding the use or condition of the Project and will cause each phase of the Project, upon completion, to comply with all applicable zoning and planning ordinances, building codes, restrictive covenants, the Environmental Laws, and all other applicable laws, ordinances, statutes, rules and regulations relating to the Project Property. The Company may in good faith contest the validity or the applicability of any such requirement. During the period of such contest and any related appeal, this Section 4.7 will be deemed satisfied with respect to the requirement so contested.

Section 4.8 Nuisance Not Permitted. The Company will not permit or suffer its agents, employees, invitees (including building contractors and subcontractors), guests or other visitors to commit a nuisance on or about the Project Property or itself commit a nuisance in connection with its use or occupancy of the Project.

Section 4.9 Taxes and Utility Charges. The Company will pay, as and when due, (i) all taxes, assessments, and governmental and other charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Property, (ii) all utility and other charges incurred in the operation, maintenance and storage activities at or about the Project Property, and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by any lien on the Project Property. The Company may, in good faith, contest the amount or validity of any such levy, tax, assessment or other charge by appropriate legal proceedings. During the period of such contest and any related appeal, this Section 4.9 will be deemed satisfied with respect to any such levy, tax, assessment or other charge so contested.

Section 4.10 Maintenance. The Issuer will not be under any obligation to, and will not, operate, maintain or repair the Project Property. During the Term, the Company will, at its own expense, keep the Project Property in safe repair and in such operating condition as is needed for its operations and make all necessary repairs and replacements to the Project Property as determined in the Company's sole discretion (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen).

Section 4.11 Replacement and Removal of Project Property. The Company may replace or remove any equipment, fixtures or furnishings constituting a part of the Project Property, provided that such replacement or removal will not change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act. Upon request of the Company, the Issuer will deliver to the Company, at the sole expense of the Company, appropriate instruments evidencing the acquisition by the Company of title to any machinery, equipment or fixtures permitted by this Section 4.11 to be so replaced or removed. The provisions of Section 10.2 shall govern the delivery and form of any such instruments.

Section 4.12 Environmental Matters.

(a) Subject to any "exemptions" and "exceptions" received from regulatory agencies, the Company shall obtain all permits, licenses, approvals, and other authorizations which are required under the Environmental Laws and shall conduct all activities related to the Project Property in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws or contained in any regulation, code, plan, order, decree, judgment, notice, demand letter, permit, license, approval, or authorization issued, entered, or promulgated under the Environmental Laws. The Company acknowledges, subject to any "exemptions" and "exceptions" received from the NRC, that it is subject to the applicable provisions of 10 C.F.R. Parts 30, 40, 70 and 95, in applying for and upon issuance of the NRC License.

(b) To the extent that the use that the Company makes or intends to make of the Project Property will result in the use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence of any Hazardous Material or solid waste in, on, under, to or from the Project Property, such use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence will comply with the Environmental Laws.

(c) The Company will promptly notify the Purchaser and the Issuer of any material violation or alleged material violation of the Environmental Laws pertaining to the Project Property of which the Company becomes aware, or of any pending or threatened investigation relating to the Environmental Laws involving the Project Property or the Company's use or operation of the Project Property of which the Company becomes aware. Inspections conducted from time to time by regulatory agencies do not constitute an "investigation" for purposes of this notice requirement. The Company will provide the Issuer and the Purchaser with any State regulatory inspection reports regarding the Project that are not available publicly.

Section 4.13 Easements. With the consent of the Issuer, which will not be unreasonably withheld or delayed, and subject to the terms of the Easement, if applicable, (i) the Company may at any time or times grant easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to any part of the Project Property and (ii) the Company may release existing interests, easements, licenses, rights-of-way and other rights or privileges with or without consideration, provided that no such grant or release shall materially and adversely affect the value, operation or utility of the Project Property. The Issuer will, at the Company's expense, reasonably cooperate in connection with the execution of required instruments in connection with the grant and release of such easements, licenses, rights-of-way and other rights and privileges.

Section 4.14 Eminent Domain; Damage; Destruction. The Company will give prompt notice to the Issuer and the Purchaser of any material damage to or destruction of the Project Property. If either the Issuer or the Company receives notice of the proposed taking of all or any part of the Project Property by Eminent Domain, it will give prompt notice to the other and the Purchaser. Any such notice will describe generally the nature and extent of such damage, destruction, taking or proposed taking. The Proceeds resulting from the exercise of Eminent

Domain with respect to or from any damage to or destruction of all or any portion of the Project Property will be paid to the Company.

Section 4.15 Insurance. The Company will keep the Project continuously insured with respect to such risks and in such amounts, with such deductible provisions, as are customary in connection with the operation of facilities of the type and size comparable to the Project and in compliance with all insurance coverages required for Licensing Approvals (including coverages required pursuant to 10 C.F.R. Parts 40 and 70) and, following the NRC's issuance to the Company of a license, 10 C.F.R. Part 140, and as otherwise required by the NRC. The Company shall furnish satisfactory certificates of insurance for all insurance from financially sound insurance companies licensed and authorized to do business in the State, and such certificates shall name the Company and the Issuer as loss payees for each casualty insurance policy, shall name the Company and the Issuer as additional or co-insureds under each public liability insurance policy and shall include a provision requiring thirty (30) days prior written notice to Issuer for cancellation, reduction or change in any coverage. Such insurance may, to the extent permitted under applicable law, be provided by blanket policies maintained by the Company, by a captive insurance company controlled by the Company or through self-insurance. Such insurance will include general liability insurance against liability for (i) claims for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the Project, (ii) liability with respect to the Project under the workers' compensation laws of the State (unless the Company has complied with the requirements of the laws of the State for self-insurance), and (iii) liability for bodily injury and property damage with respect to owned and leased automobiles or trucks, non-owned automobiles or trucks and hired cars or trucks. To the extent not otherwise required by the Licensing Approvals, the Company shall maintain comprehensive general liability coverage of at least \$1,000,000 per occurrence and pollution liability insurance coverage of at least \$1,000,000 per occurrence, provided such coverages are available to the Company at commercially reasonable rates.

Section 4.16 Access and Inspection. During the Term, the Issuer, the Purchaser and their duly authorized agents shall have the right to inspect the Project Property, subject to compliance with the Company's access requirements as approved by the U.S. Nuclear Regulatory Commission.

Section 4.17 Liens. Except for Permitted Liens, the Company will not suffer any liens to exist on the Project Property as a result of any claims brought against the Company pursuant to a right or interest not existing in connection with, or permitted by, this Lease. The Company will notify the Issuer and the Purchaser of the existence of any lien, other than a Permitted Lien, on the Project Property within 30 days after such lien attaches. The Company may, in good faith, contest the validity of any lien on the Project Property. During the period of such contest and any related appeal, this Section 4.17 will be deemed satisfied with respect to the lien so contested.

ARTICLE V - LEASE; TERM; POSSESSION; RENT

Section 5.1 Lease of the Project Property; Term. In consideration of the payment of Rent, the Issuer leases the Project Property to the Company for the Term.

Section 5.2 Quiet Enjoyment. So long as an Event of Default has not occurred and is not continuing, the Issuer will not take any action, other than pursuant to Article VII, to prevent the Company from having quiet and peaceable possession and enjoyment of the Project Property during the Term (except as necessary with respect to the exercise of Eminent Domain for public projects and purposes) and will, at the request of the Company and at the Company's expense, to the extent that it is lawfully necessary and the Issuer may lawfully do so, join in any legal action in which the Company asserts its right to such possession and enjoyment.

Section 5.3 Basic Rent and Additional Payments.

(a) The Company will pay to the Purchaser for the account of the Issuer, such amounts at such times as are necessary to make all payments of principal of, interest on and redemption price of the Bond in accordance with the terms of the Bond and the Indenture as and when due (the "Basic Rent").

(b) The Company will also make the following additional payments (the "Additional Payments"):

(i) to or on behalf of the Depository, the reasonable fees and charges of the Depository for all services of the Depository and all reasonable expenses (including reasonable counsel fees and expenses) incurred by the Depository in connection with its duties under the Indenture, if scheduled, when due and, otherwise, promptly on demand by the Depository (which fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser); and

(ii) to or on behalf of the Issuer, promptly on demand of the Issuer, all reasonable out-of-pocket costs and expenses including, but not limited to, reasonable counsel fees and expenses paid or incurred by the Issuer in connection with (A) the discussion, negotiation, preparation, approval, execution, and delivery of the Bond, the Indenture, the Bond Purchase Agreement, this Lease, and the other documents related thereto, (B) any amendments or modifications to any of the foregoing documents and the discussion, negotiation, preparation, approval, execution and delivery of any and all documents necessary to effect such amendments or modifications, and (C) the enforcement by the Issuer, during or after the Term, of any of the rights or remedies of the Issuer under any of the foregoing documents, instruments or agreements, including without limitation reasonable costs and expenses of collection, whether or not suit is filed.

Section 5.4 Obligation Unconditional. The obligation of the Company to pay Rent and to perform its other obligations under this Lease is absolute and unconditional and will not be subject to diminution by set off, counterclaim, abatement or otherwise, whether as a result of Eminent Domain with respect to, damage to or destruction of or removal of all or any portion of the Project Property or any other event or condition. Until the Bond is paid in full, as provided by the Indenture, the Company will not suspend or discontinue payment of the Rent or fail to perform any of its obligations under this Lease and will not terminate this Lease prior to the expiration of the Term for any cause. In the event the Issuer fails to perform any of its obligations under this Lease, the Company may institute such action against the Issuer as the Company may deem necessary to compel such performance. The Company may also, at its own cost and expense and in its own name or, if legally necessary, in the name of the Issuer,

prosecute or defend any action or proceeding or take any other action involving third parties which the Company deems reasonably necessary in order to secure or protect its title, right of possession, occupancy, operation and right of purchase of, the Project Property. In such event, if no Event of Default has occurred and is continuing, unless waived by the Purchaser, the Issuer will cooperate with the Company, so long as it is not the adverse party, upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket costs, expense (including reasonable counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation. J

Section 5.5 Net Lease. This Lease will be deemed and construed to be a "net lease," and the Company will pay Rent, free of any deductions and without abatement, diminution or setoff.

ARTICLE VI - SPECIAL COVENANTS

Section 6.1 Recording and Filing; Further Assurances. The Company will, at the direction of the Purchaser and at the expense of the Company, take all actions that at the time are and from time to time may be reasonably necessary to perfect, preserve, protect and secure the interest of the Issuer and the Purchaser in and to the Rent and in the Project Property, to the extent of the Issuer's interest therein under this Lease, including, without limitation, the recordation of this Lease and the Indenture, the filing of financing statements and continuation statements (if deemed necessary), and the execution, acknowledgment, delivery, filing and recordation of any other necessary agreements and instruments. The Issuer will execute such instruments as may be reasonably requested by the Company to permit compliance with this Section 6.1.

Section 6.2 Claims. The Company will pay and discharge and will indemnify and hold the Issuer harmless from (a) any lien or charge upon payments by the Company to, or for the account of, the Issuer under this Lease and (b) any taxes, assessments, impositions and other charges in respect of the Project Property except for charges that are being contested under Section 4.9 hereof. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company will have the sole right and duty to assume the defense of the same and will have the power to litigate, compromise or settle the same. J

Section 6.3 Release and Indemnification.

(a) The Company acknowledges that the Issuer is acting as a conduit issuer in this transaction and has agreed to issue an industrial revenue bond at the request of the Company in order to enable the Company to take advantage of certain tax benefits. The Company understands that, under Section 4-59-6 NMSA 1978, the Issuer does not have the power to incur a pecuniary liability or to obligate itself except with respect to the Bond proceeds, the Project Property and the application of the revenues therefrom.

(b) The Company releases the Issuer from, agrees that the Issuer will not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all liabilities, claims, suits, costs and expenses which are or may be imposed upon, incurred or asserted against the Issuer on account of: (i) any loss or damage to property or injury to or death of or loss by any J

person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation, use or decommissioning of the Project (ii) any storage activities at, on, in, under or about the Project Property; (iii) any breach or default on the part of the Company in the performance of any representation, covenant or agreement of the Company under this Lease, or any related document, or arising from any acts or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (iv) the Company's failure to comply with any requirements of this Lease; (v) any other loss, claim, damage, penalty, liability, disbursement, litigation expense, attorneys' fees, experts' fees or court costs arising out of or in any way relating to the execution or performance of this Lease, actions taken under the Indenture or any other cause whatsoever pertaining to the Project Property; and (vi) any claim, action or proceeding brought with respect to the matters set forth in (i), (ii), (iii), (iv) and (v) above, excluding, however, from the scope of the release and indemnity under this Section 6.3(b), any matters covered under the release and indemnity involving health and the environment under Section 6.3(c) below.

(c) The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all claims, suits, judgments, fines, penalties, assessments, natural resource damages, response costs (such as the cost of any testing, sampling, medical or other monitoring, cleanup, or other required response action), costs necessary to bring the Project Property or the Project into compliance with the Environmental Laws and other liabilities, together with attorneys' fees and experts' fees, costs and expenses which are or may be imposed upon, incurred by, or asserted against the Issuer resulting from or in any way connected with the use, handling, mixing, generation, storage, manufacture, refining, release, transportation, treatment, disposal or other release or presence, at, in, on, under or from the Project Property, of any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, oils, asbestos in any form or conditions, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of the Environmental Laws, or any other applicable federal, state or local law, regulation, ordinance or requirement relating to or imposing liability or standards of conduct concerning any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter amended from time to time.

(d) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matters described in Subsection 6.3(b) or (c) above and in respect of which indemnity is sought against the Company pursuant to Subsection 6.3(b) or (c) above, the Indemnified Party or Indemnified Parties seeking indemnity shall, within ten days of being notified of an action against it, notify the Company, in writing, and the Company shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Company and approved in writing by the Issuer (provided that such approval by the Issuer shall not be unreasonably withheld), the payment of the reasonable expenses of such counsel, and the right of the Issuer to participate in negotiations and to consent to settlement. If any Indemnified Party is advised in a written opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Company, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Company shall not have the right to assume or cause the assumption of the defense of such Indemnified Party, and the Company shall be responsible for the reasonable fees and expenses of counsel retained by

such Indemnified Party, provided such counsel is approved in writing by the Company, in assuming its own defense. If the Company shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Company. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party or Indemnified Parties unless the employment of such counsel has been specifically authorized in writing by the Company. The Company shall not be liable for any settlement of any such action effected without the written consent of the Company, but if settled with the written consent of the Company, or if there is a final judgment for the plaintiff in any such action with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(e) The indemnifications set forth in this Section 6.3 are intended to and will include the indemnification of all affected officials, members of the County Board of Commissioners, officers, employees and agents of the Issuer (together with the Issuer, the "Indemnified Parties" and each singularly an "Indemnified Party"). The indemnification is intended to and will be enforceable by the Issuer, to the full extent permitted by law.

(f) No release or indemnity is given under this Section 6.3 due to the exercise by the Issuer of its police powers or in the performance of any essential governmental function but excluding the governmental functions related to the authorization of the Project under the Act; and provided further that there shall be excluded from the scope of this release and indemnity any liability, claims, costs and expenses imposed upon, incurred or asserted against the Issuer resulting from or arising out of the willful misconduct or negligence of the Indemnified Parties or any Indemnified Party.

Section 6.4 Approval of Indenture; Obligations Under Indenture. The Indenture has been submitted to the Company for examination and the Company acknowledges, by execution of this Lease, that it has approved the Indenture and will perform the obligations assigned to it in the Indenture.

Section 6.5 Assignment of Warranties. The Issuer will, to the extent possible and at the expense of the Company, transfer and assign to the Company from time to time any and all of the Issuer's rights and interests in and under any warranties obtained in connection with the Project Property and will give the Company the right to take action in either the Issuer's or Company's name for the enforcement of such warranties.

Section 6.6 Company to Maintain Its Existence. Except in connection with a transaction permitted under Section 7.3 hereof, the Company will maintain its existence as a limited partnership and will not dissolve or otherwise dispose of all or substantially all of its assets.

Section 6.7 Good Standing. The Company will execute, file and record all certificates and other documents and perform such other acts as may be necessary or appropriate to comply

with all requirements for the formation and operation of a limited partnership under the laws of Delaware and the State and the operation of the Project Property under the laws of the State.

Section 6.8 Authority of Authorized Representative of Issuer. Whenever under the provisions of this Lease the approval of the Issuer is required or the Company is required to take some action at the request of the Issuer, such approval or such request will be made by the Authorized Issuer Representative unless otherwise specified in this Lease, and the Company or the Depository will be authorized to act on any such approval or request and the Issuer will have no complaint against the Company or the Depository as a result of their taking any such action.

Section 6.9 Authority of Authorized Representative of Company. Whenever under the provisions of this Lease the approval of the Company is required or the Issuer is required to take some action at the request of the Company, such approval or such request will be made by the Authorized Company Representative unless otherwise specified in this Lease, and the Issuer or the Depository will be authorized to act on any such approval or request and the Company will have no complaint against the Issuer or the Depository as a result of any such action taken.

Section 6.10 Other Instruments. The Company will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers (i) as the Issuer or Purchaser may from time to time reasonably require for better assuring the Issuer's title to or interest in, the Project Property, or transferring and conveying the Project Property to the Issuer and the better pledging under the Indenture of the moneys receivable under this Lease, and (ii) as the Issuer and the Depository may from time to time reasonably require in furtherance of the accomplishment of the purposes of any of the Bond Documents.

Section 6.11 Payment in Lieu of Property Taxes.

(a) The Issuer and the Company acknowledge that during the Term, the Project Property will be exempt from property taxation pursuant to Article VIII, Section 3 of the State constitution and Section 7-36-3 NMSA 1978. Notwithstanding the foregoing, the Company will pay payments in lieu of property tax ("PILOTs") as provided in subsections (b) and (c) of this Section.

(b) Subject to provisions of subsection (c) of this Section, the Company shall pay to the Issuer, on each date the Company would have been required to pay property taxes if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer, an amount equal to twenty percent of the total amount of property tax (i.e., the tax arising from the combined levies of all taxing entities whose taxing jurisdiction encompasses the Project Site) that would have been due on such date if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer. The amounts of the PILOT pursuant to this subsection (b) (the "Main PILOT") shall be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year with respect to the Project Property if the Bond had not been issued by the Issuer. The property tax valuation for the Project Property for each tax year shall be determined by the Lea County Assessor (the "Assessor") using information provided by the Company and such other information obtained from other sources as is deemed relevant by the Assessor. The Company shall provide the Assessor all information that the Assessor may lawfully require for the purpose of determining

the assessed valuation of the Project Property from year to year. The Company may challenge the valuation determined by the Assessor on the same grounds as would be available to it if it were assessed for property tax for the Project Property; provided, however, that no payment of the Main PILOT shall be delayed by reason of a dispute of the valuation of the Project Property. In the event of a dispute concerning the valuation, the Company shall pay the Main PILOT calculated according to the most recent undisputed valuation of the Project Property, and when the dispute is resolved shall pay an amount (or receive a credit, as applicable, against future Main PILOT payments) equal to the difference between the adjusted amount of the Main PILOT and the amount already paid, in accordance with the valuation determined through the dispute resolution or adjudication, as applicable. The Main PILOT shall be paid directly to the Issuer, and the Company shall have no responsibility for the Issuer's use or distribution of such amounts.

(c) The parties anticipate that the City of Eunice (the "City") will construct water and sewer lines connecting the Project with the City's water and sewer utilities. The Company shall pay the pre-construction engineering and design costs for such lines as they become due and payable, up to an amount of \$125,000. The Company shall further pay all of the right-of-way acquisition, construction services and materials costs for such lines, as they become due and payable (the "Pipeline PILOT"). Fifty percent of the amount paid as the Pipeline PILOT shall be credited against the Main PILOT in equal amounts per year over a period of five years, beginning in the tax year immediately following the final payment of the last amount of the Pipeline PILOT; provided, however, that if the amount of the Pipeline PILOT to be credited in any year exceeds the amount of the Main PILOT for that year, then the excess amount of the credit shall be carried forward and applied against the first available amount of Main PILOT in succeeding years. The Company's payment of the pre-construction engineering and design costs and the Pipeline PILOT under this subsection may be paid to the City or directly to the entities furnishing such engineering and design, right-of-way acquisition, construction services and materials at the discretion of the Company. Satisfactory written evidence of such payments shall be promptly furnished to the City and the Issuer.

ARTICLE VII - ASSIGNMENT, LEASING AND SELLING

Section 7.1 Assignment of Rights by the Issuer. Concurrently with issuance of the Bond, the Issuer will pursuant to the Indenture assign and pledge to the Purchaser certain of the Issuer's rights, title and interests in and to this Lease, as security for payment of the principal of, interest on and redemption price of the Bond. Thereafter, the Purchaser will be vested with, and authorized to exercise, such rights of the Issuer and the Purchaser under this Lease. The Company assents to such assignment and pledge.

Section 7.2 No Other Transfer by Issuer. Except as provided in Sections 4.6, 4.11 and 7.1 and Article X, the Issuer will not sell, assign, transfer or convey its rights, title or interests in this Lease or the Project Property, or its obligations under this Lease.

Section 7.3 Assignment, Lease, Mortgage and Sale by the Company.

(a) If the Company is not in default under this Lease or the Indenture, the rights of the Company under this Lease may be assigned, and the rights of the Company in the Project Property may be assigned, leased, subleased, mortgaged or sold (other than as provided in

Section 4.11) as a whole or in part by the Company (each, an "assignment transaction"). No assignment transaction will relieve the Company from liability for making payments of Rent and for the performance of its other obligations under this Lease, including but not limited to its obligations under Sections 4.5, 4.15, 5.3(b), 6.3, 6.11 and 8.4 hereof, to the same extent as though such transaction had not been consummated, unless (i) such assignment, lease, sublease, mortgage or sale is to an affiliate (as such term is used in regulations pursuant to the Securities Exchange Act of 1934) of the Company, or (ii) the Issuer and the Purchaser shall consent to such assignment transaction, which consent shall not be unreasonably denied or withheld. In requesting the consent of the Issuer and the Purchaser under (a)(ii) of this Section 7.3, the Company shall comply with the transfer requirements of 10 C.F.R. Parts 40 and 70, as applicable. To the extent required by the Purchaser, any assignee, lessee, sublessee or purchaser of a material portion of the Company's interest in this Lease or of the Project Property will assume in writing the obligations of the Company under this Lease with respect to the interest assigned, leased or sold.

(b) The Company will, not more than 120 days nor less than 30 days before the effective date of any assignment transaction, furnish or cause to be furnished to the Issuer and the Purchaser a true and complete copy of such proposed assignment, lease, sublease, mortgage or purchase contract, and to the extent applicable, such assumption. On the effective date of any such assignment transaction, the Company will, at the request of the Issuer or the Purchaser and at the expense of the Company, deliver to the requesting Party an opinion of counsel to the Company to the effect that such assignment, lease, sublease, mortgage or sale has been duly authorized by the Company, does not conflict with applicable federal or State law, and does not affect the status of the Project as a "project" under the Act.

ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default Defined. Each of the following events is an "Event of Default":

(a) failure by the Company to make any Rent payment when due, and such failure continues for a period of five Business Days; or

(b) any Bond Document, or any certificate or other document delivered pursuant to any Bond Document, contains a material misrepresentation by the Company, which misrepresentation continues to materially adversely affect the Issuer, the Purchaser or the Depository, and the Company fails to cure the effect of such misrepresentation within thirty Business Days after the aggrieved Party gives the Company written notice of such misrepresentation;

(c) failure by the Company to perform any of its obligations under this Lease or the Indenture, other than the payment of Rent, for a period of 30 Business Days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Purchaser, or, if such failure cannot reasonably be remedied within 30 days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion; or

(d) the occurrence of a "Default" as defined in the Indenture; or

(e) the Company files a voluntary petition in bankruptcy or is adjudicated insolvent or bankrupt, or files any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Company or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or makes any general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; or

(f) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Company seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of the Company or any guarantor of any obligations under the Bond or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, is appointed without the consent or acquiescence of the Company or such guarantor, as applicable, and such appointment remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive); or

(g) a writ of execution or attachment or any similar process is issued or levied against all or any part of or interest in the Project Property, or any judgment involving monetary damages is entered against the Company or the Issuer that becomes a lien on the Project Property or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy; or

(h) any suit or proceeding is filed against the Company that, if adversely determined, would substantially impair the ability of the Company to perform any of its obligations contained in the Bond Documents or the Bond, and counsel for the Company or independent counsel retained by the Purchaser has formed a professional conclusion that an adverse outcome is probable, as that term is defined in the American Bar Association's Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information.

Section 8.2 Remedies on Default.

(a) If an Event of Default occurs and is continuing, the Purchaser, as the assignee of the Issuer under the Indenture, and on behalf of the Issuer, may, but is not required to, take any one or more of the following remedial steps:

(i) by written notice to the Company declare all such amounts of Rent payable for the remainder of the Term as are required to provide for the Payment of the Bond, whereupon the same will be immediately due and payable;

(ii) take whatever action at law or in equity may appear necessary or desirable to collect the Rent then due and thereafter to become due or to enforce the performance and observance of any obligation of the Company under this Lease or the Indenture; or

(iii) exercise any remedies provided for in the Indenture.

(b) In the exercise of any remedies provided in this Section 8.2, the Purchaser shall not take any action at law or in equity that could result in the Purchaser obtaining possession of the Project Property or operating the Project as a business or otherwise.

(c) In the enforcement of the remedies provided in this Section, the Purchaser, as the assignee of the Issuer and on behalf of the Issuer, will treat all expenses of enforcement, including, without limitation, legal, accounting and advertising fees, as Additional Payments then due and owing. In the exercise of any of the remedies in Section 8.2(a)(i) through (iii) above, the Purchaser, as the assignee of the Issuer, has the sole responsibility for the exercise of such remedies if an Event of Default occurs and is continuing, and except for the exercise of Issuer's remedies under Sections 8.3 and 8.4 below, the Issuer shall not exercise any remedies provided under this Lease unless specifically authorized in writing by the Purchaser.

Section 8.3 Issuer's Remedies. Subject to Section 4.2(c) hereof, the Issuer may take whatever action at law or in equity may appear necessary or desirable to enforce the performance and observance of any Unassigned Rights Obligation under this Lease, including, without limitation, the Reconveyance Remedy provided in Section 8.4 of this Lease.

Section 8.4 Reconveyance Remedy. Subject to Section 4.2(c) hereof, if the Company (i) fails to complete the Project as provided in Section 4.1 of this Lease, (ii) makes changes to the Project or operates the Project in such a manner that would result in the Project no longer qualifying as a "project" within the meaning of the Act, (iii) ceases to operate the Project, or (iv) fails to perform any Unassigned Rights Obligation under this Lease, and any of such circumstances continues for 60 days after notice by the Issuer to the Company, then the Issuer shall have the right to immediately convey the Project Property to the Company and take all steps necessary to have the Project Property immediately assessed for property tax purposes in the name of the Company from and after 60 days after such notice is given. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

Section 8.5 Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default or an event or condition which, with notice or the lapse of time or both would constitute an Event of Default, has occurred, and the Issuer or the Purchaser employ attorneys or incur other expenses for collection of Rent or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained herein, the Company agrees that it will on demand therefor pay to the Issuer, or the Purchaser, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Issuer or the Purchaser.

Section 8.6 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder. In view of the assignment of certain of the Issuer's rights in

and under this Lease to the Purchaser pursuant to the Indenture, the Issuer will have no power to waive any Event of Default hereunder without the consent of the Purchaser. Notwithstanding the foregoing, a waiver of a Default under the Indenture or a rescission of a declaration of acceleration of the Bond and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event of Default under this Lease and a rescission and annulment of its consequences; provided that no such waiver or rescission will extend to or affect any subsequent or other default hereunder or impair any right resulting therefrom.

Section 8.7 Survival of Obligations. Except as otherwise provided in Subsection 7.3(a) hereof, the Company's obligations hereunder, including, without limitation, its obligations to make payments, will survive any sale of all or any portion of the Project Property or exercise of any other remedy in accordance with this Article and the Company will continue to pay the payments and perform all other obligations provided herein to the extent necessary to fulfill its obligation hereunder.

ARTICLE IX - PREPAYMENTS

Section 9.1 Prepayments. The Company may at any time (including after the occurrence and during the continuance of an Event of Default) and for any reason cause all or any portion of the outstanding amount of the Bond to be redeemed in accordance with the provisions of the Indenture, which redemption may occur on the same day the Purchaser advances proceeds of the Bond to the Company pursuant to Section 404 of the Indenture. The Company shall send notice of such redemption to the Issuer, the Depository and the Purchaser not less than one (1) Business Day prior to the redemption date. Such notice will specify the redemption date and the principal amount of the Bond redeemed. On the redemption date the Company will prepay that portion of the Rent equal to such principal amount plus accrued interest, if any, on such principal amount to the redemption date by payment of such amounts to the Purchaser; provided that in the event of a redemption of all the outstanding amount of the Bond, the Company shall pay, in addition on the redemption date, all Additional Payments payable to the Issuer or the Depository, as the case may be.

ARTICLE X - EXERCISE OF OPTION AND PURCHASE OF PROJECT PROPERTY

Section 10.1 Purchase of Project Property. The Company will purchase, and the Issuer will sell, the interests of the Issuer in the Project Property for \$1.00 and any unpaid Additional Payments at the expiration or sooner termination of this Lease (provided that the Rent and all other amounts due hereunder have been fully paid) and following Payment of the Bond and release of the Indenture pursuant to its provisions. The Company will give notice to the Issuer specifying the date of closing of such purchase, which will be not less than 15 days nor more than 90 days from the date of such notice. At the closing of such purchase, upon payment of the amount due by the Company, the Issuer will, at the expense of the Company, convey the Project Property to the Company subject to the provisions of Section 10.2.

Section 10.2 Conveyance. At the closing of a purchase pursuant to this Article X, the Issuer will, upon receipt of the purchase price and at the sole expense of the Company, deliver to the Company documents, including, but not limited to a quitclaim deed or other transfer or conveyance documents, conveying to the Company the Issuer's interest in the Project Property being purchased, as such Project Property then exists subject only to: (i) those liens and

encumbrances (if any) to which title to or interest in, the Project Property was subject when conveyed to the Issuer; (ii) those liens and encumbrances created by the Company or any party other than the Issuer or to the creation or suffering of which the Company consented; (iii) those liens and encumbrances resulting from the failure of the Company to perform any of its obligations under this Lease; (iv) Permitted Liens other than the Indenture and this Lease; and (v) any other lien arising as a matter of law. The Company may purchase the Project Property and exercise its other rights under this Article X, whether or not an Event of Default has occurred and is continuing.

ARTICLE XI - MISCELLANEOUS

Section 11.1 Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of this Lease and Section 1112 of the Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default. In order for any Party to exercise any remedy reserved to it in the Bond Documents, such Party shall not be required to give any notice other than such notice as may be expressly required in the Bond Documents.

Section 11.2 Amendments. This Lease may be amended by one or more instruments signed by the Issuer and the Company, and consented to by the Purchaser. The Issuer shall amend this Lease as requested by the Company or a lender or other entity providing all or any part of the Project Financing, provided any such amendment is not inconsistent with the Bond Ordinance.

Section 11.3 Limitation of Issuer's Liability.

(a) No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with any property of the Company financed, directly or indirectly, out of the Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body, or constitute a charge against the Issuer's general credit, or will obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. No failure of the Issuer to comply with any terms, covenants or agreements herein or in any document executed by the Issuer in connection with the Bond will subject the Issuer to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the funds available hereunder or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. The Issuer shall not be required to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder unless it will first have been adequately indemnified to its satisfaction against the cost, expense or liability which might be incurred thereby. Nothing herein will preclude a

proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein or in the Indenture; provided that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds available hereunder or under the Indenture and pledged to the payment of the Bond.

(b) No covenant, obligation or agreement in this Lease shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the governing body of the Issuer in other than his official capacity, and neither the members of that governing body nor any official executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Lease or in the Indenture.

Section 11.4 No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Lease, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

Section 11.5 Release. The Issuer will not be liable to the Company, and the Company releases and discharges the Issuer from any liability for any and all losses, costs, expenses (including attorneys' fees), damages, judgments, claims and causes of action, paid, incurred or sustained by the Company as a result of or relating to any action, or failure or refusal to act, on the part of the Depository or the Purchaser with respect to the Bond, the Indenture, this Lease, or the documents and transactions related hereto or thereto or contemplated hereby or thereby, including, without limitation, the exercise by the Depository, Purchaser or any third party of any of its rights or remedies pursuant to any of such documents.

Section 11.6 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns.

Section 11.7 Severability. In the event any provisions of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Lease absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then this Lease shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 11.8 Recording. This Lease, the Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. This Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of the Indenture.

Section 11.9 No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the non-defaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 11.10 Non-Merger. The provisions of this Lease shall survive the conveyance or transfer of the Project Property to the Issuer, the reconveyance or transfer of the Project Property to the Company and any other performance hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 11.11 Execution in Counterparts. This Lease may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute any of the Bond Documents by executing any counterpart of such Bond Document.

Section 11.12 Notices. All notices required under this Lease shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:

Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260,
Attn.: Dennis Holmberg, County Manager
Phone: (505) 396-8601
Fax: (505) 396-2093

with a copy to:

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W.
Suite 1000
Albuquerque, New Mexico 87102
Attention: Duane Brown and Peter Franklin

If to the Company:

Louisiana Energy Services, L.P.
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036
Attention: E. James Ferland, President
Phone: (202) 659-4344
Fax: (202) 659-0791

with a copy to:

Rodey Law Firm
201 Third St., Suite 2200
Albuquerque, NM 87102
Attention: Donald B. Monnheimer
Phone: (505) 766-7556
Fax: (505) 768-7395

If to the Purchaser:

NEF Series 2004, LLC
1133 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036
Attention: E. James Ferland, Managing Member
Phone: (202) 659-4344
Fax: (202) 659-0791

If to the Depository:

Bank of Albuquerque, N.A.
201 Third St. NW, Suite 1400
Albuquerque, NM 87102
Attention: Corporate Trust Manager
Phone: (505) 222-8446
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 11.13 Title: Headings. The title and headings of the articles, sections and subdivisions of this Lease have been used for convenience only and will not modify or restrict any of the terms or provisions of this Lease.

Section 11.14 Applicable Law. The validity, construction and effect of this Lease will be governed by the law of the State of New Mexico applicable to agreements made and to be performed in the State of New Mexico, without regard or effect given to conflict of law principles or rules that would require the application of the laws of any other jurisdiction.

Section 11.15 Subordination. The Issuer agrees to subordinate its title and interest in and to the Project Property and its rights as lessor under this Lease, to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably require to evidence such subordination. The Bond Ordinance authorizes the Chairman and Vice Chairman of the Board of Commissioners to execute and deliver any agreements or other documents providing for such subordination.

IN WITNESS WHEREOF, the Issuer and the Company have executed this Lease the date set forth above.

ISSUER:

LEA COUNTY, NEW MEXICO

By: _____

Name: Harry Teague

Its: Chairman of the Board of Commissioners

COMPANY:

LOUISIANA ENERGY SERVICES, L.P.

By: _____

Name: E. James Ferland

Its: President

State of New Mexico)
) ss.
County of Lea)

This instrument was acknowledged before me on _____, 2004, by
Harry Teague, as Chairman of the Board of Commissioners of Lea County, New Mexico, a
governmental subdivision of the State of New Mexico.

Notary Public

My commission expires: _____

State of _____)
) ss.
County of _____)

This instrument was acknowledged before me on _____, 2004,
by E. James Ferland, as President of Louisiana Energy Services, L.P., a Delaware limited
partnership.

Notary Public

My commission expires: _____

EXHIBIT A: DESCRIPTION OF PROJECT SITE

The Project Site consists of the following:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico.

BEGINNING at the one-quarter corner between Sections 31 and 32, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N 89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29, (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33, (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING

Said parcel CONTAINS 542.80 ACRES more or less

EXHIBIT B: PERMITTED LIENS

1. Taxes for the year 2003, and thereafter, and all assessments applicable to the Project Property.
2. All interests or matters of record applicable to the Project Site (including any conditions, easements, rights-of-ways, licenses, covenants, restrictions, indentures, patents, reservations, and any and all other interests or matters of record), including those shown on any recorded plats, and including the following:

[Insert]

3. Any matters applicable to the Project Site pertaining to or arising out of circumstances existing on or before the date of this Lease, and including:
 - i. Rights or claims of parties in possession not shown by the public records, and easements or claims of easements, not shown by the public record.
 - ii. Encroachments, roadways, overlays, conflicts in boundary lines, shortages in area, or other matter which would be disclosed by an accurate survey and inspection of the Project Site.
 - iii. Unpatented mining claims; reservations or exceptions in patents or in acts authorizing the issuance thereof; water rights claims or title to water.
 - iv. Taxes or assessments which are not shown as existing liens by the public records, or any assessments against the Project Site.
 - v. Any easement rights as a result of any roadways or rights-of-way affecting the Project Site.

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

49129

DEC 16 2003
at 1:02 o'clock P M
and recorded in Book _____
Page _____
Melinda Hughes, Lea County Clerk
By _____ Deputy



ATTEST:
Certified this 30th day of December
2003, as true and correct copy of
the original on file in this office.

MELINDA HUGHES, LEA COUNTY CLERK

[Signature] Deputy

EXHIBIT I

**AFFIDAVIT OF PUBLICATION OF NOTICE OF
ADOPTION OF ORDINANCE FROM
THE LOVINGTON DAILY LEADER**

Affidavit of Publication

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of THE LOVINGTON DAILY LEADER, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Notice Of Adoption Of Ordinance

was published in a regular and entire issue of THE LOVINGTON DAILY LEADER and not in any supplement there-

of, for one (1) day, beginning with the issue of December 17, 2003 and ending with the issue of December 17, 2003.

And that the cost of publishing said notice is the sum of \$125.61 which sum has been (Paid) as Court Costs.

Subscribed and sworn to before me this 18th day of December 2003.

Debbie Schilling
Notary Public, Lea County, New Mexico
My Commission Expires June 22, 2006

LEGAL NOTICE LEA COUNTY, NEW MEXICO Notice of Adoption of Ordinance

Notice is hereby given of the title and a general summary of the subject matter contained in Ordinance No. 58, duly adopted and approved by the Board of Commissioners of Lea County, New Mexico on December 16, 2003 (the "Ordinance"), relating to the authorization and issuance of the County's Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond"). Complete copies of the Ordinance are available for public inspection during normal and regular business hours of the County Clerk at Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260.

The title of the Ordinance is:
AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000 TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN INDENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT; MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

The following is a general summary of the subject matter contained in the Ordinance.

The recitals state that Lea County, New Mexico (the "County") is authorized under the

Industrial Revenue Bond Act (the "Act") to issue industrial revenue bonds to acquire industrial development projects located within the County and not within the boundaries of any incorporated municipality in the County; that Louisiana Energy Services, L.P. (the "Company") has delivered a proposal (the "Proposal") that the County issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in an amount not to exceed \$1,800,000,000 (the "Bond"), to finance the acquisition, construction and installation by the County of certain property (the "Project Property") to be located on the north side of State Highway 176, on a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of State Highway 176 and State Highway 234 within the jurisdictional limits of the County, that will enrich uranium to be used to generate electricity, as a service to the nuclear power plant industry; that the Project Property would be leased and sold to the Company under a certain Lease and Purchase Agreement between the County and the Company (the "Lease"); that the Bond would be issued pursuant to the provisions of an Indenture among the County, the bond purchaser (the "Purchaser"), and a trust depository (the "Indenture"); that the Bond would be sold to the Purchaser pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement", and together with the Bond, the Lease and the Indenture, the "Bond Documents") between the County, the Company and the Purchaser; that the Board of Commissioners of the County ("Board") has concluded that the benefits to the County of issuing the Bond are substantial and that the issuance of the Bond will constitute a valid public purpose under the Act; and that notice of the Board's intention to consider adoption of the Ordinance was published in conformance with legal requirements.

Sections 1 through 3 ratify previous action taken in connection with the issuance of the Bond; approve the Proposal; authorize the acquisition, lease and sale of the Project Property; and provide that the Project Property shall be located within the County and not within the boundaries of any incorporated municipality of the County.

Sections 4 through 6 authorize the issuance of the Bond in a principal amount not to exceed \$1,800,000,000; approve the form and terms of the Bond; provide that the Bond shall mature on the anniversary of the issuance date of the Bond in 2034 and shall bear interest as provided in the Indenture; provide that other details of the Bond shall be provided in the Indenture; approve the sale of the Bond on the terms set forth in the Bond Purchase Agreement; and make certain findings and determinations pursuant to the Act, including the maximum annual amounts necessary for debt service on the Bond, that the Company shall maintain the Project Property and carry all property insurance (or self-insure), that the rentals under the Lease shall be sufficient to pay all debt service on the Bond, and that no reserve fund will be necessary to retire the Bond or to maintain the Project Property.

Sections 7 through 9 approve the forms of the Bond Documents; authorize and direct County officials to execute and deliver the Bond Documents; authorize County officials to execute and deliver other documents and to take such other actions as are reasonably necessary to effectuate the Ordinance; provide that the Bond shall be a special limited obligation of the County, payable solely as provided in the Indenture; state that the Bond shall never constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the New Mexico constitution; and provide that the Bond shall never give rise to a pecuniary liability of the County or a charge against the County's general credit or taxing power.

Sections 10 through 14 approve the provisions of the Lease requiring payments in lieu of taxes; provide that the Ordinance shall be irrevocable while the Bond is outstanding; provide severability and repealer provisions; direct the authentication and recording of the Ordinance; and provide for the publication of notice of the adoption of the Ordinance.

This notice constitutes compliance with the Public Securities Limitation of Action Act, Sections 6-14-4 to 6-14-7 NMSA 1978.

Published in the Lovington Daily Leader December 17, 2003.

EXHIBIT J

AFFIDAVIT OF PUBLICATION OF NOTICE OF
ADOPTION OF ORDINANCE FROM
THE HOBBS NEWS-SUN

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, KATHI BEARDEN

Publisher

of the Hobbs News-Sun, a
newspaper published at
Hobbs, New Mexico, do solemnly
swear that the clipping attached
hereto was published once a
week in the regular and entire
issue of said paper, and not a
supplement thereof for a period.

of _____ 1
_____ weeks.
Beginning with the issue dated

December 17 2003
and ending with the issue dated

December 17 2003

Kathi Bearden

Publisher

Sworn and subscribed to before

me this 17th day of

December 2003

Joseph M. (Dennis)
Notary Public.

My Commission expires
November 27, 2004
(Seal)

This newspaper is duly qualified
to publish legal notices or adver-
tisements within the meaning of
Section 3, Chapter 167, Laws of
1937, and payment of fees for
said publication has been made.

49100574000 02568030
Rodey, Dickason, Sloan, Akin &
201 Third St. NW, Suite 2200
ALBUQUERQUE, NM 87102

LEGAL NOTICE
December 17, 2003

LEA COUNTY, NEW MEXICO

Notice of Adoption of Ordinance

Notice is hereby given of the title and a general summary of the subject matter con-
tained in Ordinance No. 58, duly adopted and approved by the Board of Commissioners
of Lea County, New Mexico on December 16, 2003 (the "Ordinance"), relating to the au-
thorization and issuance of the County's Industrial Revenue Bond (National Enrichment
Facility Project) Series 2004 (the "Bond"). Complete copies of the Ordinance are avail-
able for public inspection during normal and regular business hours of the County Clerk at
Lea County Courthouse, 100 North Main Street, Lovington, New Mexico 88260.

The title of the Ordinance is:

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY LEA COUNTY, NEW
MEXICO OF ITS INDUSTRIAL REVENUE BOND (NATIONAL ENRICHMENT FACILITY
PROJECT) SERIES 2004 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,800,000,000
TO PROVIDE FUNDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND IN-
STALLATION OF AN INDUSTRIAL DEVELOPMENT PROJECT; AUTHORIZING THE
EXECUTION AND DELIVERY OF A LEASE AND PURCHASE AGREEMENT, AN IN-
DENTURE, A BOND PURCHASE AGREEMENT, THE BOND AND OTHER DOCU-
MENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND AND THE PROJECT;
MAKING CERTAIN FINDINGS AND DETERMINATIONS RELATING TO THE BOND
AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND RE-
PEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.

The following is a general summary of the subject matter contained in the Ordinance.

The recitals state that Lea County, New Mexico (the "County") is authorized under the
County Industrial Revenue Bond Act (the "Act") to issue industrial revenue bonds to ac-
quire industrial development projects located within the County and not within the bound-
aries of any incorporated municipality in the County; that Louisiana Energy Services,
L.P. (the "Company") has delivered a proposal (the "Proposal") that the County issue its
Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in an
amount not to exceed \$1,800,000,000 (the "Bond"), to finance the acquisition, construc-
tion and installation by the County of certain property (the "Project Property") to be lo-
cated on the north side of State Highway 176, on a portion of Section 32, Township 21
South, Range 38 East, N.M.P.M., approximately 2.4 miles east of the intersection of
State Highway 176 and State Highway 234 within the jurisdictional limits of the County,
that will enrich uranium to be used to generate electricity, as a service to the nuclear
power plant industry; that the Project Property would be leased and sold to the Company
under a certain Lease and Purchase Agreement between the County and the Company
(the "Lease"); that the Bond would be issued pursuant to the provisions of an indenture
among the County, the bond purchaser (the "Purchaser"), and a trust depository (the "In-
denture"); that the Bond would be sold to the Purchaser pursuant to a Bond Purchase
Agreement (the "Bond Purchase Agreement"), and together with the Bond, the Lease and
the Indenture, the "Bond Documents") between the County, the Company and the Pur-
chaser; that the Board of Commissioners of the County ("Board") has concluded that the
benefits to the County of issuing the Bond are substantial and that the issuance of the
Bond will constitute a valid public purpose under the Act; and that notice of the Board's
intention to consider adoption of the Ordinance was published in conformance with legal
requirements.

Sections 1 through 3 ratify previous action taken in connection with the issuance of the
Bond; approve the Proposal; authorize the acquisition, lease and sale of the Project
Property; and provide that the Project Property shall be located within the County and not
within the boundaries of any incorporated municipality of the County.

Sections 4 through 6 authorize the issuance of the Bond in a principal amount not to
exceed \$1,800,000,000; approve the form and terms of the Bond; provide that the Bond
shall mature on the anniversary of the issuance date of the Bond in 2034 and shall bear
interest as provided in the Indenture; provide that other details of the Bond shall be pro-
vided in the Indenture; approve the sale of the Bond on the terms set forth in the Bond
Purchase Agreement; and make certain findings and determinations pursuant to the Act,
including the maximum annual amounts necessary for debt service on the Bond, that the
Company shall maintain the Project Property and carry all property insurance (or self-in-
sure), that the rentals under the Lease shall be sufficient to pay all debt service on the
Bond, and that no reserve fund will be necessary to retire the Bond or to maintain the
Project Property.

Sections 7 through 9 approve the forms of the Bond Documents; authorize and direct
County officials to execute and deliver the Bond Documents; authorize County officials to
execute and deliver other documents and to take such other actions as are reasonably
necessary to effectuate the Ordinance; provide that the Bond shall be a special limited
obligation of the County, payable solely as provided in the Indenture; state that the Bond
shall never constitute a debt or indebtedness of the County within the meaning of any
provision or limitation of the New Mexico constitution; and provide that the Bond shall
never give rise to a pecuniary liability of the County or a charge against the County's gen-
eral credit or taxing power.

Sections 10 through 14 approve the provisions of the Lease requiring payments in lieu
of taxes; provide that the Ordinance shall be irrevocable while the Bond is outstanding;
provide severability and repealer provisions; direct the authentication and recording of
the Ordinance; and provide for the publication of notice of the adoption of the Ordinance.

This notice constitutes compliance with the Public Securities Limitation of Action Act,
Sections 6-14-4 to 6-14-7 NMSA 1978.
#20319

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

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No.**

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 - Exhibit A: Description of Project Site
 - Exhibit B: Permitted Liens
 - Schedule I
2. Indenture dated the date of Closing, among the Issuer, the Depository and the Purchaser
 - Exhibit A: Form of Bond
 - Exhibit B: Requisition and Certificate
 - Exhibit C: Completion Certificate
3. Bond Purchase Agreement dated the date of Closing, among the Purchaser, the Issuer and the Company
 - Exhibit A: Form of Opinion of Bond Counsel
 - Exhibit B: Form of Opinion of Counsel to the Company and the Purchaser
 - Exhibit C: Form of Opinion of Counsel to the Issuer
4. Grant of Easement and Right of Way dated August 22, 2003, from the New Mexico Commissioner of Public Lands to the Company ("Easement")
5. Agreement Regarding Land Use Restriction or Condition dated August 22, 2003, between the New Mexico Commissioner of Public Lands and the Company ("LURC")
6. Assignment of Rights under the Easement from the Company to the Issuer ("Assignment") together with e-mail from the Commissioner of Public Lands determining the Assignment to be unobjectionable
7. Bill of Sale from the Company to the Issuer
8. Specimen Bond No. R-1
9. Issuer Certificate

- Exhibit A: Open Meetings Resolution
- Exhibit B: Inducement Resolution
- Exhibit C: PILOT Resolution
- Exhibit D: Notice of Consideration of Ordinance Authorizing Issuance of an Industrial Revenue Bond by Lea County dated November 10, 2003 to the City of Hobbs
- Exhibit E: Notice of Consideration of Ordinance Authorizing Issuance of an Industrial Revenue Bond by Lea County dated November 10, 2003 to the Lea County Assessor
- Exhibit F: Affidavit of Publication of Notice of Intention to Adopt Bond Ordinance published in The Lovington Daily Leader on November 25, 2003
- Exhibit G: Affidavit of Publication of Notice of Intention to Adopt Bond Ordinance published in the Hobbs News-Sun on November 29, 2003
- Exhibit H: Bond Ordinance No. 58 recorded in the office of the Lea County Clerk on December 16, 2003 in Ordinance Book 2, at Pages 548-643
- Exhibit I: Affidavit of Publication of Notice of Adoption of Bond Ordinance published in The Lovington Daily Leader on December 17, 2003
- Exhibit J: Affidavit of Publication of Notice of Adoption of Bond Ordinance published in the Hobbs News-Sun on December 17, 2003

Volume II

10. Company Certificate

- Exhibit A: Amended and Restated Certificate of Limited Partnership filed with the Delaware Secretary of State
- Exhibit B: Certificate of Good Standing and Legal Existence issued by the Delaware Secretary of State
- Exhibit C: Statement of Registration as a Foreign Limited Partnership filed with the New Mexico Secretary of State
- Exhibit D: Certificate of Existence issued by the New Mexico Secretary of State
- Exhibit E: Amended and Restated Agreement of Limited Partnership
- Exhibit F: Authorizing Resolutions
- Schedule I

11. Purchaser Certificate

- Exhibit A: Certificate of Formation filed with the Delaware Secretary of State
- Exhibit B: Certificate of Good Standing and Legal Existence issued by the Delaware Secretary of State
- Exhibit C: Application for Registration filed with the New Mexico Public Regulation Commission
- Exhibit D: Certificate of Good Standing and Compliance issued by the New Mexico Public Regulation Commission

Exhibit E: Operating Agreement
Exhibit F: Authorizing Resolutions

12. Depository Certificate
13. Depository Fee Agreement
14. Closing Memorandum
15. Opinion of Bond Counsel
16. Opinion of Counsel to the Company and the Purchaser
Schedule I
17. Opinion of Counsel to the Issuer
18. Disclosure Letter dated January 22, 2004 from the Company to the Issuer and Purchaser
19. Escrow Instruction Letter
20. Title Insurance Policy
21. Pages of Documents Showing Recording Information
 - (a) Recordation of Easement in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 338-405, as Document No. 50770.
 - (b) Recordation of LURC in the State Land Office on January 20, 2004, as LURC #3 and in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 406-412, as Document No. 50771.
 - (c) Recordation of Assignment in the Miscellaneous Instruments in the State Land Office on January 23, 2004, as Misc. Inst. 1125.
 - (d) Recordation of Assignment in the real estate records of Lea County on January 22, 2004 in Book 1279, at Pages 413-419, as Document No. 50772.
 - (e) Recordation of Lease and Purchase Agreement in the real estate records of Lea County on January 22, 2004, in Book 1279, at Pages 420-457, as Document No. 50773.
 - (f) Recordation of Indenture in the real estate records of Lea County on January 22, 2004, in Book 1279, at Pages 458-485, as Document No. 50774.

10

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

COMPANY CERTIFICATE

The undersigned Secretary of Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company"), certifies on behalf of the Company that:

1. Attached hereto as Exhibit A is a certified copy of the Amended and Restated Certificate of Limited Partnership of the Company filed January 16, 2004 (the "Certificate of Limited Partnership") with the Secretary of State of the State of Delaware (the "Delaware Secretary of State"), in effect as of the date hereof. No other amendment or document affecting the Certificate of Limited Partnership has been filed with the Delaware Secretary of State.

2. The Company is a duly formed and validly existing limited partnership existing under the laws of Delaware, and is in good standing under the laws of the State of Delaware. Attached hereto as Exhibit B is a Certificate dated January 16, 2004, issued by the Delaware Secretary of State, confirming that the Company is in good standing and legally existing under the laws of Delaware. No corporate proceedings for the liquidation or dissolution of the Company or threatening its existence are pending or contemplated.

3. Attached hereto as Exhibit C is a certified copy of the Statement of Registration as a Foreign Limited Partnership filed November 14, 2003 and the New Mexico Amendment of Registration as a Foreign Limited Partnership of the Company filed January 20, 2004 (collectively, the "Application for Certificate of Registration") with the Secretary of State of the State of New Mexico (the "New Mexico Secretary of State"), in effect as of the date hereof. No other amendment or document affecting the Application for Certificate Registration has been filed with the New Mexico Secretary of State.

4. The Company is authorized to do business in New Mexico as a foreign limited partnership and is registered pursuant to the laws of the State of New Mexico. Attached hereto as Exhibit D is a Certificate dated January 22, 2004, issued by the New Mexico Secretary of State, confirming that the Company is registered with the New Mexico Secretary of State.

5. Attached hereto as Exhibit E is a true, correct and complete copy of the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"). The Partnership Agreement has not been amended, modified or repealed prior to the date hereof and remains in full force and effect on the date hereof.

6. Attached hereto as Exhibit F is a true, correct and complete copy of the Action by Unanimous Written Consent of the Members of the Management Committee of the Company (the "Authorizing Resolutions") authorizing the President and Chief Executive Officer ("CEO") of the Company to effect the transactions contemplated by the Lease and Purchase Agreement (the "Lease") dated the date hereof between Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), and the Company, and the Bond Purchase Agreement (the "Bond Purchase Agreement") dated the date hereof, among NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), the Issuer and the Company (collectively, the "Company Documents"). The Authorizing Resolutions were adopted by the Management Committee as of January 22, 2004 and have not been amended, modified or repealed prior to the date hereof and remain in full force and effect on the date hereof.

7. As of this date, no Default (as defined in the Indenture dated the date hereof among the Issuer, the Purchaser and Bank of Albuquerque, N.A., a national banking association, as depository (the "Indenture")) or Event of Default (as defined in the Lease) has occurred or is continuing with respect to the Company, and no event has occurred and is continuing with respect to the Company which, with the lapse of time or the giving of notice or both, would constitute a Default or Event of Default.

8. On or before this date, all actions required to be taken by the Company as of this date in connection with the Bond (as defined in the Indenture), the Bond Ordinance (as defined in the Bond Purchase Agreement), and the Company Documents have been taken, and the Company has performed and complied with all agreements, covenants and conditions required by the Bond Ordinance and the Company Documents to be performed or complied with by the Company on or prior to this date.

9. Each of the representations of the Company set forth in the Company Documents is true and correct in all material respects on and as of this date, with the same effect as if made on this date.


10. The execution, delivery and performance by the Company of the Company Documents will not (i) conflict with, contravene, or violate the Certificate of Limited Partnership of the Company or (ii) to the Company's knowledge, conflict with, contravene, violate or constitute a material breach of, or default under, any law, rule, regulation, ordinance, order, consent, decree, agreement or instrument to which the Company is a party or by which the properties of the Company are bound.

11. Excluding the licensing, regulatory and other approvals required under New Mexico and federal law, with respect to the construction, operation and decommissioning of the Project, to the Company's knowledge, all approvals, permits, licenses, consents, authorizations, certifications and other orders of any governmental authority or agency necessary for the execution and delivery by the Company of the Company Documents have been obtained and are in full force and effect.

12. There is no action, suit, proceeding, inquiry or investigation before or in the Lea County District Court or federal district court for the District of New Mexico, or by or before any public board or body in the State of New Mexico pending or, to the Company's knowledge, threatened against the Company which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents (as defined in the Lease), (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own or operate any of the Project (as defined in the Lease) or the Project Property (as defined in the Lease), (iv) could result in an unfavorable decision, ruling or finding that could materially adversely affect the financial condition or operations of the Company, the transactions contemplated by the Bond Documents, or (v) would have a material adverse effect on the validity of the Bond, or the legal existence of the Company or the titles of its officers to their respective offices. However, we note that the U.S. Nuclear Regulatory Commission has commenced an investigation involving submission of the Company's license application as described in Schedule I attached hereto.


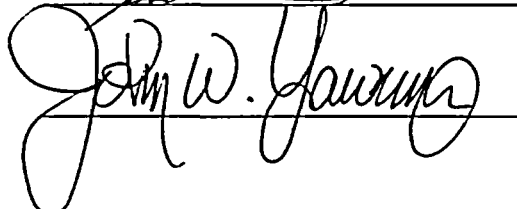
13. The Company Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

14. The Company Documents have been duly executed on behalf of the Company by the President and CEO whose name, office and true signature appears below:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
E. James Ferland	President and CEO	

Such officer was on the date the Company Documents were executed and currently is the duly elected, qualified and acting President and CEO of the Company. All necessary consents of the Management Committee of the Company have been obtained to approve the transactions contemplated by the Company Documents. The Company Documents are in full force and effect and have not been amended, modified or supplemented.

15. Each of the representatives of the Company whose names, titles and true signatures appear below is an Authorized Company Representative (as defined in the Indenture):

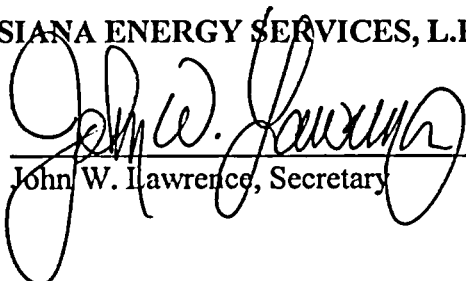
<u>Name</u>	<u>Office</u>	<u>Signature</u>
E. James Ferland	President and CEO	
John W. Lawrence	Secretary	

16. This certificate may be relied upon by Rodey, Dickason, Sloan, Akin & Robb, P.A. in its opinions addressed to the Issuer, the Company and the Purchaser in connection with the Company Documents.

Dated: January 22, 2004

LOUISIANA ENERGY SERVICES, L.P.

By:



John W. Lawrence, Secretary

EXHIBIT A

**AMENDED AND RESTATED CERTIFICATE OF LIMITED PARTNERSHIP
FILED WITH THE DELAWARE SECRETARY OF STATE**

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "LOUISIANA ENERGY SERVICES, L.P.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF JANUARY, A.D. 2004, AT 12:06 O'CLOCK P.M.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2227256 8100

040034506

AUTHENTICATION: 2875384

DATE: 01-16-04

**AMENDED AND RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
LOUISIANA ENERGY SERVICES, L.P.**

**Pursuant to Section 17-210 of the
Delaware Revised Uniform Limited Partnership Act**

LOUISIANA ENERGY SERVICES, L.P., a limited partnership formed under the Delaware Revised Uniform Limited Partnership Act (the "Act"), for the purpose of amending and restating its Certificate of Limited Partnership filed with the Office of the Secretary of State of Delaware on April 9, 1990, hereby certifies that the Certificate of Limited Partnership is amended and restated to read in its entirety as follows:

1. The name of the limited partnership is LOUISIANA ENERGY SERVICES, L.P.
2. The address of the registered office of the limited partnership in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, and the name of the registered agent of the limited partnership in the State of Delaware for service of process at such address is The Corporation Trust Company.

3. The name and business address of each General Partner is as follows:

Urenco Investments, Inc.
Suite 610
2600 Virginia Avenue, N.W.
Washington, DC 22304
Attn: Pat Upson

Westinghouse Enrichment Company LLC
P.O. Box 355
Pittsburgh, PA 15230-0355
Attn: Ian B. Duncan

IN WITNESS WHEREOF, this Amended and Restated Certificate of Limited Partnership, which restates and integrates and also further amends the Certificate of Limited Partnership as heretofore amended or supplemented, has been duly executed as of the 16th day of January, 2004, by the duly authorized general partners of the limited partnership, and is being filed in accordance with Section 17-210 of the Act.

URENCO INVESTMENTS, INC.

By: /s/ Dr. P.C. Upson

Name: Dr. P.C. Upson

Title: Director

WESTINGHOUSE ENRICHMENT
COMPANY LLC

By: /s/ Ian B. Duncan

Name: Ian B. Duncan

Title: President

EXHIBIT B

**CERTIFICATE OF GOOD STANDING AND LEGAL EXISTENCE
ISSUED BY THE DELAWARE SECRETARY OF STATE**

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "LOUISIANA ENERGY SERVICES, L.P." IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTEENTH DAY OF JANUARY, A.D. 2004.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2227256 8300

040034506

AUTHENTICATION: 2875387

DATE: 01-16-04

EXHIBIT C

**STATEMENT OF REGISTRATION AS A FOREIGN LIMITED PARTNERSHIP
FILED WITH THE NEW MEXICO SECRETARY OF STATE**

STATE OF NEW MEXICO



OFFICE OF THE

SECRETARY OF STATE

LPF2003111401

CERTIFICATE

I, REBECCA VIGIL-GIRON, SECRETARY OF STATE FOR NEW MEXICO, DO HEREBY CERTIFY

that

the attached five pages are true and correct copies of Application for Certificate of Registration filed on November 14, 2003, Application For Amendment w/Name Change filed on January 20, 2004, for Louisiana Energy Services, Limited Partnership, a foreign limited partnership, registered in the office in accordance with the provision of sections 54-2-49 through 54-2-61 NMSA, 1978 compilation this partnership was registered on November 14, 2003.



GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE
OF NEW MEXICO, IN THE CITY OF SANTA FE, THE CAPITAL,
ON THIS 20th DAY OF January 2004 A.D.

Rebecca Vigil-Giron
SECRETARY OF STATE

STATE OF NEW MEXICO



OFFICE OF THE

SECRETARY OF STATE

LPF2003111401

CERTIFICATE

I, REBECCA VIGIL-GIRON, SECRETARY OF STATE FOR NEW MEXICO, DO HEREBY CERTIFY

that

NATIONAL ENRICHMENT FACILITY, LIMITED PARTNERSHIP, a foreign limited partnership, registered in this office in accordance with the provisions of sections 54-2-49 through 54-2-61 NMSA, 1978 compilation. This entity was registered on November 14, 2003 and will remain in effect until the foreign limited partnership's registration is canceled or withdrawn.

GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE
OF NEW MEXICO, IN THE CITY OF SANTA FE, THE CAPITAL,
ON THIS 14th DAY OF November 2003 A.D.



Rebecca Vigil-Giron
SECRETARY OF STATE

STATEMENT OF REGISTRATION AS A FOREIGN LIMITED PARTNERSHIP

- 1 The name of the Foreign Limited Partnership

Louisiana Energy Services, L P

- 2 The name under which the Limited Partnership proposes to transact business in New Mexico (if different from the above)

National Enrichment Facility, Limited Partnership

- 3 The state of its formation Delaware

- 4 The date of its formation 04/09/1990

- 5 The name and address of its agent for service of process

C T Corporation System, c/o C T Corporation System, 123 East Marcy, Santa Fe, New Mexico 87501

- 6 If an agent has not been appointed, or if the agent's authority has been revoked, or if the agent cannot be found or served with the exercise of reasonable diligence, the undersigned hereby appoints the Secretary of State of New Mexico as its agent for service of process

- 7 The address of the office maintained by law in the state of its organization, or, if such an office is not required, the address of its principal office

6739 Academy Road NE, Suite 350, Albuquerque, NM 87109.

- 8 The name and address of each general partner

Name

Address

Urenco Investments Inc 2600 Virginia Ave NW Suite 610 Washington, DC 20037

Claiborne Energy Services, Inc 526 South Church Street, Charlotte, NC 28242

Claiborne Fuels, LP 1101 Wilson Blvd, Arlington, VA 22209

Cenesco/Penesco Company, LLC 4300 Winfield Rd, Warrenville, IL 60555

STATEMENT OF REGISTRATION AS A FOREIGN LIMITED PARTNERSHIP

- 9 The address of the office at which is kept a list of the names and addresses of the limited partners and their capital contributions, undertaken such that those records will be kept until registration in New Mexico is canceled or withdrawn

Urenco Investments, Inc 2600 Virginia Ave NW Suite 610, Washington,
DC 20037

Date 28th October 2003


General Partner

Dr. PATRICK C UPSON, DIRECTOR
Printed Name/Title URENCO INVESTMENTS
Inc.

State of U.K)
County of Buckinghamshire) SS

The foregoing was acknowledged before me on 28th October 2003 by
Dr PATRICK C. UPSON, general partner, on behalf of
URENCO INVESTMENTS, a Foreign Limited Partnership

LOUISIANA ENERGY SERVICES LP.
Subscribed and sworn to before me on the day, month and year first set forth above


NOTARY PUBLIC

Commission Expires does not expire

I certify that I was present and saw
Dr PATRICK C. UPSON
the above named sign this document at
33 Queen Street, Maidenhead, Berks - U K
this 28th day of October 2003
Adrian Peter Mark Watney
Notary Public

State of New Mexico



OFFICE OF THE

SECRETARY OF STATE

LPF2003111401

CERTIFICATE

I, REBECCA VIGIL-GIRON, SECRETARY OF STATE OF FOR NEW MEXICO, DO HEREBY CERTIFY
that

National Enrichment Facility, Services, Limited Partnership, a foreign limited partnership registered in this office on November 14, 2003 in accordance with the provisions of sections 54-2-49 through 54-2-61 NMSA, 1978 compilation. On January 20, 2004, an amendment to its original registration was filed which changed the name of the limited partnership to Louisiana Energy Services, Limited Partnership. This amended registration will remain in effect until the limited partnership's registration is canceled, withdrawn or amended.



GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE
OF NEW MEXICO, IN THE CITY OF SANTA FE, THE CAPITAL,
ON THIS 20th DAY OF January, 2004 A.D.

Rebecca Vigil-Giron

NEW MEXICO AMENDMENT OF REGISTRATION AS A FOREIGN LIMITED PARTNERSHIP

Certificate Number: LPF2003111401

Amendment of the Name of the Partnership:

From: National Enrichment Facility, Limited Partnership

To: Louisiana Energy Services, Limited Partnership

Amendment of name and address of general partners:


From:

Urenco Investments Inc. 2600 Virginia Ave NW Suite 610 Washington, DC 20037
Claiborne Energy Services, Inc. 526 South Church Street, Charlotte, NC 28242
Claiborne Fuels, LP 1101 Wilson Blvd, Arlington, VA 22209
Cenesco/PenESCO Company, LLC 4300 Winfield Rd, Warrenville, IL 60555

To:

Urenco Investments Inc. 2600 Virginia Ave NW Suite 610 Washington, DC 20037
Westinghouse Enrichment Company LLC PO Box 355, Pittsburgh, PA 15230-0355

Date 1-13-04


General Partner

Ian B. Duncan, President, Westinghouse Enrichment Company LLC
Printed Name/Title

State of Pennsylvania


County of Allegheny

The foregoing was acknowledged before me on January 13, 2004 by

Ian B. Duncan, general partner, on behalf of

Louisiana Energy Services, L.P., a Foreign Limited Partnership.

Subscribed and sworn to before me on the day, month and year first set forth above.


NOTARY PUBLIC

Commission Expires: 12-14-07

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Lorraine M. Pipica, Notary Public
Monroeville Boro, Allegheny County
My Commission Expires Dec. 14, 2007

State of New Mexico
Amendments - Foreign LP 1 Page(s)



TD-02000017

EXHIBIT D
CERTIFICATE OF EXISTENCE
ISSUED BY THE NEW MEXICO SECRETARY OF STATE

STATE OF NEW MEXICO



OFFICE OF THE

SECRETARY OF STATE

LPF2003111401

CERTIFICATE

I, REBECCA VIGIL-GIRON, SECRETARY OF STATE FOR NEW MEXICO, DO HEREBY CERTIFY
that

National Enrichment Facility, Limited Partnership, a foreign limited partnership registered in this office on November 14, 2003 in accordance with the provisions of sections 54-2-49 through 54-2-61 NMSA, 1978 compilation. On January 20, 2004, an amendment to its original registration was filed which changed the name of the limited partnership to **Louisiana Energy Facility, Limited Partnership**. This amended registration will remain in effect until the limited partnership's registration is canceled, withdrawn or amended.



GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE
OF NEW MEXICO, IN THE CITY OF SANTA FE, THE CAPITAL,
ON THIS 20th DAY OF January, 2004 A.D.

Rebecca Vigil-Giron

SECRETARY OF STATE

STATE OF NEW MEXICO



OFFICE OF THE

SECRETARY OF STATE

LPF2003111401

CERTIFICATE

I, REBECCA VIGIL-GIRON, SECRETARY OF STATE FOR NEW MEXICO, DO HEREBY CERTIFY
that

On November 14, 2003, Louisiana Energy Services, Limited Partnership , a foreign limited partnership, registered in this office pursuant to the provisions of sections 54-2-49 through 54-2-61 NMSA, 1978 compilation.

GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE
OF NEW MEXICO, IN THE CITY OF SANTA FE, THE CAPITAL,
20th January 2004
ON THIS _____ DAY OF _____ A.D.


REBECCA VIGIL-GIRON
SECRETARY OF STATE



EXHIBIT E

**AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP**

FILED IN THE COMPANY RECORDS

**AVAILABLE FOR INSPECTION UPON
REQUEST**

EXHIBIT F
AUTHORIZING RESOLUTIONS

ACTION BY UNANIMOUS WRITTEN CONSENT
of
THE MEMBERS OF THE MANAGEMENT COMMITTEE
of
LOUISIANA ENERGY SERVICES, L.P.

The undersigned, being all of the Members of the Management Committee (the "Members") of Louisiana Energy Services, L.P., a Delaware limited partnership (the "Partnership"), in lieu of holding a special meeting, hereby take the following actions and adopt the following resolutions by unanimous written consent pursuant to Section 17-405(d) of the Delaware Revised Uniform Limited Partnership Act and Section 5.5(e) of the Amended and Restated Limited Partnership Agreement ("Partnership Agreement");

1. **ISSUANCE OF INDUSTRIAL REVENUE BOND INVOLVING THE CONSTRUCTION AND ESTABLISHMENT OF A URANIUM ENRICHMENT FACILITY.**

Resolved, that the Partnership shall seek and promote the issuance by the County of Lea, State of New Mexico ("County"), of an industrial revenue bond (the "Bond") involving the construction and establishment of a uranium enrichment facility ("Facility") by the Partnership as agent for the County to be located in the County (the issuance of the Bond and the construction and establishment of the Facility herein collectively referred to as the "Bond Transaction"), and the use and operation of the Facility by the Partnership under the terms of a Lease and Purchase Agreement ("Lease"), a Bond Purchase Agreement and other documents to be entered into by the Partnership ("Bond Documents") in connection with the issuance of the Bond.

Further Resolved, that the President of the Partnership (the "President") is hereby authorized and directed to take such actions and to execute and deliver the Bond Documents and such other documents, for and on behalf of the Partnership, as may be reasonably necessary in connection with the Bond Transaction and the use and operation of the Facility by the Partnership.

2. **CREATION OF NEF SERIES 2004, LLC.**

Resolved, that the Partnership shall create a Delaware limited liability company, to be named *NEF Series 2004, LLC* (the "LLC"), and the President is authorized to take such actions and to execute such documents as may be necessary to create the LLC. The Partnership shall be the sole member of the LLC.

Further Resolved, that the LLC shall be authorized to purchase and to hold the Bond, and the President is authorized and directed to contribute to the LLC, as the Partnership's capital contribution thereto and from the Partnership's funds, such funds as shall be necessary for its organization.

Further Resolved, that the President is authorized and directed to take the following actions on behalf of the Partnership, in its capacity as the sole member of the LLC:

- to execute an Operating Agreement;
- to appoint E. James Ferland as the Manager and President and Chief Executive Officer ("CEO") of the LLC (collectively, the "Manager");
- to appoint John W. Lawrence as the Secretary of the LLC;
- to authorize the LLC to purchase and hold the Bond, and to authorize and direct the Manager to take such actions and to execute such documents, instruments or certificates as may be reasonably necessary to do so, including but not limited to the Bond Documents to which the LLC is a party;
- to authorize and direct the Manager to register the LLC with such state or federal agencies, including taxing authorities, as may be necessary to authorize the LLC to lawfully conduct business in New Mexico; and
- to authorize the Manager to delegate to the LLC President and CEO, Secretary and other officers of the LLC as shall be designated so much of his authority as he deems necessary or convenient to the LLC's operations.

3. AUTHORIZATION OF LAND EXCHANGE.

Resolved, that the Partnership shall participate in a land exchange transaction ("Land Exchange Transaction") involving the County, the State Land Office ("SLO") and a private person or entity ("private landowner") where, in consummating such transaction, the SLO will convey to the County and the County will convey to the Partnership fee simple ownership in the real property described as being a portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located within the County, to be used as the site of the Facility ("Site"), and the Partnership will convey to the County certain real property ("Exchange Property") to be acquired from the private landowner (having a fair market value equal or greater value than the fair market value of the Site), for reconveyance by the County to the SLO.

Further Resolved, that the President hereby is authorized and directed, subject (as may be required) to the prior written approval of the Management Committee in respect of certain matters referred to in Article 5.3 of the Partnership Agreement, to take all such actions, including but not limited to any and all actions necessary for the purchase of the Exchange Property, and to execute and deliver a project participation agreement with the County pursuant to that New Mexico Local Economic Development Act and all such other documents, to be entered into for and on behalf of the Partnership, as may be reasonably necessary to consummate the Land Exchange Transaction.

4. APPOINTMENT OF PARTNERSHIP OFFICERS.

Resolved, that under Section 5.7(a) of the Partnership Agreement, E. James Ferland is hereby appointed as President of the Partnership until such time as he resigns or is removed from that office, and is given the customary duties and powers of a corporate president which office shall have the title of President and CEO.

Further Resolved, that under Section 5.7(a) of the Partnership Agreement, John W. Lawrence is hereby appointed as Secretary of the Partnership until such time as he resigns or is removed from that office, and is given the customary duties and powers of a corporate secretary in addition to such duties and powers as the President may delegate to him from time to time.

5. OTHER RESOLUTIONS.

Resolved, that all actions which have previously been taken by the President or by any employee, agent, attorney, and independent contractor of the Partnership in connection with the transactions contemplated by any of the foregoing resolutions, including but not limited to the Bond Transaction, the creation of the LLC, the Land Exchange Transaction and the execution and delivery by the Partnership of a certain State of New Mexico Commissioner of Public Lands Grant of Easement and Right of Way effective August 22, 2003 and a certain Agreement Regarding Land Use Restriction or Condition effective August 22, 2003, be, and they hereby are, approved, ratified, and confirmed in all respects.

Further Resolved, that the President is authorized and directed, subject (as may be required) to the prior written approval of the Management Committee in respect of certain matters referred to in Article 5.3 of the Partnership Agreement, for and on behalf of the Partnership, to take such actions and do such things, and to execute and deliver such agreements, instruments, certificates, waivers, consents and other documents, to make any changes or amendments to any of the foregoing and to institute or defend, on the advice of counsel, all such litigation, as he may deem necessary, appropriate, or convenient to effectuate the purpose and intent of, and to consummate the transactions contemplated by, each of the foregoing resolutions, the authority for the making of such agreements, instruments, certificates, waivers, consents, and other documents to be conclusively evidenced thereby.

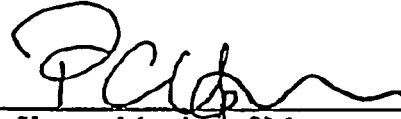
Further Resolved, that the President and Secretary of the Partnership may delegate any act authorized under these Resolutions as they deem appropriate.

Further Resolved, that a copy of these Resolutions be filed in the minute book of the Partnership.

The action taken by this Unanimous Written Consent shall have the same force and effect as if taken by the Members at a meeting of the Management Committee, duly called and constituted pursuant to the Partnership Agreement and the Delaware Revised Uniform Limited Partnership Act. This Unanimous Written Consent may be executed in multiple counterparts and by facsimile, each of which shall be considered an original and all of which shall constitute one

and the same instrument, notwithstanding that all parties are not signatories to the same counterpart.

IN WITNESS WHEREOF, the undersigned, being all of the Members of the Management Committee of the Partnership, have executed this Unanimous Written Consent as of January 22, 2004.




Pat Upson, Member of Management Committee
(representing Urenco Investments, Inc.)

Ian Duncan, Member of Management Committee
(representing Westinghouse Enrichment Company,
LLC)

and the same instrument, notwithstanding that all parties are not signatories to the same counterpart.

IN WITNESS WHEREOF, the undersigned, being all of the Members of the Management Committee of the Partnership, have executed this Unanimous Written Consent as of January __, 2004.

Pat Upson, Member of Management Committee
(representing Urenco Investments, Inc.)



Ian Duncan, Member of Management Committee
(representing Westinghouse Enrichment Company,
LLC)

SCHEDULE I

SCHEDULE I

The Company has been advised by the NRC that it has commenced an internal investigation of a matter involving the submission by the Company of its license application before the NRC ("License Application") on December 12, 2003.

NRC regulations require that the portion of the License Application that addresses the classified information for the facility be filed separately from the rest of the License Application. When the License Application was filed, the classified information for the facility was sent to an NRC address identified in the NRC regulations. Although the Company also consulted the NRC's website, which indicated a change to the regulation (specifying a different address for submittal of classified information) would go into effect on January 1, 2004, the Company decided to use the address in the regulations in effect at that time.

About a week after the License Application was submitted to the NRC, the NRC notified the Company that the classified information had been mailed to the wrong address, and that the Company should have called the NRC to obtain the proper address. This proper address was not previously provided in any NRC documents other than as stated in the revised regulation that became effective on January 1, 2004.

As a result, the Company was advised that an NRC internal investigation is now ongoing, and even though the Company has taken appropriate corrective action, it is possible the NRC could issue a violation for sending the classified information for the facility to the wrong NRC address. In the event a violation is found to have occurred, it is the Company's position that this will not have a material adverse effect on the Company, the Project Property, the Company's ability to perform under the Bond Documents or the License Application.

11

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

PURCHASER CERTIFICATE

The undersigned Secretary of NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), certifies, on behalf of the Purchaser, that:

1. Attached hereto as Exhibit A is a certified copy of the Certificate of Formation of the Purchaser filed January 8, 2004 with the Secretary of State of the State of Delaware (the "Delaware Secretary of State"), in effect as of the date hereof. No amendment or document affecting the Certificate of Formation has been filed with the Delaware Secretary of State.

2. The Purchaser is a limited liability company duly organized and validly existing under the laws of Delaware, and is in good standing under the laws of the State of Delaware. Attached hereto as Exhibit B is a Certificate dated January 12, 2004, issued by the Delaware Secretary of State, confirming that the Purchaser is in good standing and legally existing under the laws of the State of Delaware. No corporate proceedings for the liquidation or dissolution of the Purchaser or threatening its existence are pending or contemplated.

3. Attached hereto as Exhibit C is a certified copy of the Application for Registration of the Purchaser filed January 21, 2004 with the Public Regulation Commission of the State of New Mexico (the "PRC"), in effect as the date hereof. No amendment or document affecting the Application for Registration has been filed with the PRC.


4. The Purchaser is authorized to do business in New Mexico as a foreign limited liability company, and is in good standing under the laws of the State of New Mexico. Attached hereto as Exhibit D is a Certificate of Good Standing and Compliance dated January 22, 2004, issued by the PRC, confirming that the Purchaser is registered and in good standing under the laws of the State of New Mexico.

5. Attached hereto as Exhibit E is a true, correct and complete copy of the Operating Agreement of the Purchaser. The Operating Agreement has not been amended, modified or repealed prior to the date hereof and remains in full force and effect on the date hereof.

6. Attached hereto as Exhibit F is a true, correct and complete copy of the resolutions adopted by Louisiana Energy Services, L.P., a Delaware limited partnership that is registered with the Secretary of State of the State of New Mexico to transact business in New Mexico (the "Company"), as the sole member of the Purchaser (the "Authorizing Resolutions"), authorizing E. James Ferland, the Manager and President and Chief Executive Officer ("CEO") of the Purchaser to effect the transactions contemplated by the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") among the Purchaser, Lea County, New

Commissioners (the "Issuer"), and the Company, and the Indenture dated the date hereof (the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A., a national banking association, as depository (collectively, the "Purchaser Documents"). The Authorizing Resolutions were adopted by the Company as of January 22, 2004 and have not been amended, modified or repealed prior to the date hereof and remain in full force and effect on the date hereof.

7. The Purchaser Documents have been duly executed and delivered on behalf of the Purchaser by the officer of the Purchaser whose name, office and true signature appears below:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
E. James Ferland	Manager and President and CEO	

Such officer was on the date the Purchaser Documents were executed and currently is the duly elected, qualified and acting Manager and President and CEO of the Purchaser holding the offices indicated. All necessary consents of the sole member of the Purchaser have been obtained to approve the transactions contemplated by the Purchaser Documents. The Purchaser Documents are in full force and effect and have not been amended, modified or supplemented as of the date hereof.

8. The representations, warranties and covenants of the Purchaser in the Purchaser Documents are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

9. On or before the date hereof, all actions required to be taken by the Purchaser as of this date in connection with the Purchaser Documents have been taken and the Purchaser has complied in all respects with all the agreements and satisfied all conditions to be performed or satisfied at or prior to the delivery of the Bond (as defined in the Indenture).

10. The execution, delivery and performance by the Purchaser of the Purchaser Documents will not (i) conflict with, contravene, or violate the Certificate of Formation of the Purchaser or (ii) to the Purchaser's knowledge, conflict with, contravene, violate or constitute a material breach of, or default under, any law, rule, regulation, ordinance, order, consent, decree, agreement or instrument to which the Purchaser is a party or by which the properties of Purchaser are bound.

11. Excluding the licensing, regulatory and other approvals required under New Mexico and federal law, with respect to the construction, operation and decommissioning of the Project, to the Purchaser's knowledge, all approvals, permits, licenses, consents, authorizations, certifications and other orders of any governmental authority or agency necessary for the execution and delivery by the Purchaser of the Purchaser Documents have been obtained and are in full force and effect.

12. There is no action, suit, proceeding, inquiry or investigation before or in the Lea County District Court and federal district court for the District of New Mexico, or by or before any public board or body in the State of New Mexico pending or, to the Purchaser's knowledge, threatened, against the Purchaser which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) could result in an unfavorable decision, ruling or finding that could materially adversely affect the financial condition or operations of the Purchaser, the transactions contemplated by the Bond Documents, or (iv) would have a material adverse affect the validity of the Bond, or the legal existence of the Purchaser or the titles of its officers to their respective offices.

13. The Purchaser Documents constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

14. The Purchaser has been advised of its right to have financing statements securing its rights under the Bond and the Indenture filed with the Secretary of State of the State of Delaware on or prior to the Closing Date (as defined in the Bond Purchase Agreement), and hereby specifically waives any requirement for the filing of such financing statements.

15. The Purchaser acknowledges receipt of the Bond.

16. This certificate may be relied upon by Rodey, Dickason, Sloan, Akin & Robb, P.A. in its opinions addressed to the Issuer, the Company and the Purchaser in connection with the Purchaser Documents.

Dated: January 22, 2004

NEF SERIES 2004, LLC

By:

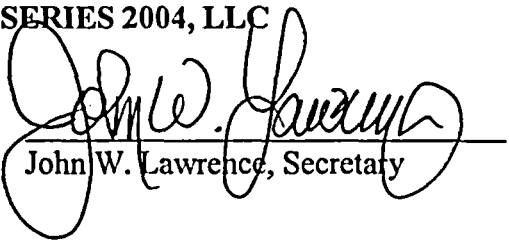

John W. Lawrence, Secretary

EXHIBIT A
CERTIFICATE OF FORMATION
FILED WITH THE DELAWARE SECRETARY OF STATE

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "NEF SERIES 2004, LLC", FILED IN THIS OFFICE ON THE EIGHTH DAY OF JANUARY, A.D. 2004, AT 8:50 O'CLOCK P.M.



3750433 8100

040015879

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2859981

DATE: 01-08-04

**STATE of DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE of FORMATION**

FIRST: The name of the limited liability company is NEF Series 2004, LLC.

SECOND: The address of its registered office in the State of Delaware is CT Corporation System c/o Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801. The name of its Registered Agent at such address is The Corporation Trust Company.

THIRD: The latest date on which the limited liability company is to dissolve is January 22, 2054.

In Witness Whereof, the undersigned has executed this Certificate of Formation of NEF Series 2004, LLC this 8th day of January, 2004.

LOUISIANA ENERGY SERVICES, L.P.

By: 

E. James Ferland
President and Chief Executive Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 08:50 PM 01/08/2004
FILED 08:50 PM 01/08/2004
SRV 040015879 - 3750433 FILE

EXHIBIT B

**CERTIFICATE OF GOOD STANDING AND LEGAL EXISTENCE
ISSUED BY THE DELAWARE SECRETARY OF STATE**

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "NEF SERIES 2004, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWELFTH DAY OF JANUARY, A.D. 2004.



3750433 8300

040021183

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 2865411

DATE: 01-12-04

EXHIBIT C

APPLICATION FOR REGISTRATION
FILED WITH THE NEW MEXICO PUBLIC REGULATION COMMISSION



OFFICE OF THE
PUBLIC REGULATION COMMISSION

CERTIFICATE OF COMPARISON

OF

NEF SERIES 2004, LLC


2417509

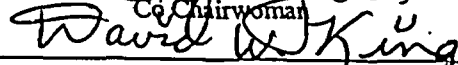
The Public Regulation Commission certifies that the attached is a true and complete copy of the ****3**** page document(s) on file in this office.


This Certification is in accordance with Section 53-19-69 NMSA 1978.

DATED: JANUARY 21, 2004

In testimony whereof, the Public Regulation of the State of New Mexico has caused this certificate to be signed by its Chairman and the seal of said Commission to affixed at the City of Santa Fe.



Co Chairwoman


Co Chairman


Bureau Chief

**Foreign Limited Liability Company
APPLICATION FOR REGISTRATION**

JAN 21 2004

The undersigned limited liability company, in order to apply for a Certificate of Registration to transact business in New Mexico under the Limited Liability Company Act, submits the following statement to the Public Regulation Commission:

1. The name of the limited liability company is: NEF Series 2004, LLC
2. If it proposes to transact business in New Mexico under a different name, the name it elects for use in New Mexico is: Not Applicable
3. It is organized under the laws of: State of Delaware
4. The date of organization in its domestic state is: January 8, 2004
5. If so required by the laws of the domestic state, the address of the office required to be maintained in the domestic state is: Not Applicable
6. If the laws of the domestic state do not require an address to be maintained in that state, then the address of the principal office of the limited liability company is: One Sun Plaza, 100 Sun Lane NE, Suite 204, Albuquerque, NM 87109
7. The street address of the registered office in New Mexico is: c/o CT Corporation System, 123 East Marcy, Santa Fe, New Mexico 87501
(P.O. Box is not acceptable. Provide a description of the geographical location if a street address does not exist)

The name of the registered agent at the address of the New Mexico registered office is: CT Corporation System
8. The names of the persons in whom management of the limited liability company is vested are: E. James Ferland

The company is a foreign limited liability company as defined in Section 2 of the New Mexico Limited Liability Company Act. The Secretary of State is appointed the agent of the foreign limited liability company for service of process if [upon resignation of the appointed registered agent] no agent has been appointed or, if appointed, the agent's authority has been revoked or the agent cannot be found or served in the exercise of reasonable diligence.

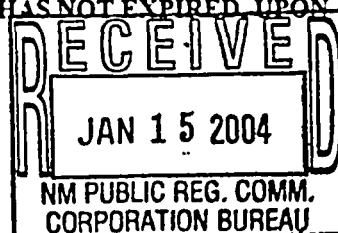
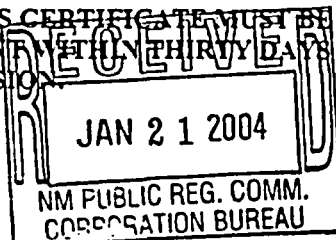
Dated: January 8, 2004

NEF Series 2004, LLC

By: 

E. James Ferland, President

THIS APPLICATION MUST BE ACCOMPANIED BY A CERTIFICATE OF GOOD STANDING / EXISTENCE, ISSUED BY THE APPROPRIATE OFFICIAL CUSTODIAN OF LIMITED LIABILITY COMPANY RECORDS FOR THE STATE OR COUNTRY UNDER THE LAWS OF WHICH THE COMPANY IS ORGANIZED. THIS CERTIFICATE MUST BE ORIGINAL OR ELECTRONICALLY ISSUED, AND MUST BE CURRENT WITHIN THIRTY DAYS OR HAS NOT EXPIRED, UPON SUBMISSION TO THE COMMISSION.



**STATEMENT OF ACCEPTANCE OF APPOINTMENT
BY DESIGNATED INITIAL REGISTERED AGENT**

I, C T Corporation System -- Vickie M. Cunningham,

hereby acknowledge the acceptance of appointment as Initial Registered Agent of

NEF Series 2004, LLC

the limited liability company which is named in the annexed Application for Registration of Foreign Limited Liability Company.

(Sign on this line if the registered agent named in the application is an individual. If this line is signed, the two lines below do not apply and must be left blank.)

.....

(If the following lines are used, the signature line above does not apply and must be left blank)

C T Corporation System

(If the registered agent named in the application is a corporation, limited liability company, or partnership, type or print the name of that entity here)

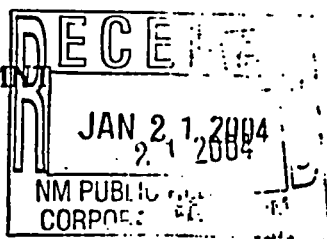
By

Vickie M. Cunningham

(An authorized person of the entity being appointed as registered agent must sign here)

Vickie M. Cunningham, Vice President

Form FLLC-STMD
(revised 7/03)



NM050 - 07/10/2003 C T System Online



Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "NEF SERIES 2004, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWELFTH DAY OF JANUARY, A.D. 2004.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3750433 8300

040021183

AUTHENTICATION: 2865410

DATE: 01-12-04

EXHIBIT D

**CERTIFICATE OF GOOD STANDING AND COMPLIANCE
ISSUED BY THE NEW MEXICO PUBLIC REGULATION COMMISSION**



OFFICE OF THE
PUBLIC REGULATION COMMISSION

CERTIFICATE OF GOOD STANDING AND COMPLIANCE

IT IS HEREBY CERTIFIED that:

NEF SERIES 2004, LLC

2417509

an organization organized under the laws of
DELAWARE

is duly authorized to transact business in New Mexico, as a
Foreign Organization, under the

LIMITED LIABILITY COMPANY ACT

(53-19-1 TO 53-19-74 NMSA 1978)

having filed its Application for registration on

JANUARY 21, 2004

and Certificate of Registration issued as of said date.

IT IS FURTHER CERTIFIED that fees due the Public Regulation Commission, which have been assessed against the aforesaid organization have been paid to date and aforesaid is in good standing and duly authorized to transact business as its existence has not been revoked in New Mexico. This certificate is not to be construed as an endorsement recommendation or notice of approval of the organizations financial condition or business activities & practices. This Certificate of Good Standing & Compliance expires when existence ceases as decided by law.

Dated: JANUARY 22, 2004

In testimony whereof, the Public Regulation of the State of New Mexico has caused this certificate to be signed by its Chairman and the seal of said Commission to affixed at the City of Santa Fe.

Barbara J. Baca
Co Chairwoman

David W. King
Co Chairman

Ann Echols
Bureau Chief

EXHIBIT E
OPERATING AGREEMENT

OPERATING AGREEMENT

OF

NEF SERIES 2004, LLC

a Delaware limited liability company

Dated as of January 22, 2004

OPERATING AGREEMENT
of
NEF SERIES 2004, LLC
a Delaware limited liability company

This Operating Agreement of NEF Series 2004, LLC, a Delaware limited liability company (the "Company"), is made and entered into and shall be effective as of the Effective Date, by and between the Company and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Member"), its sole member.

ARTICLE 1
FORMATION OF COMPANY

Section 1.1. Organization. Effective as of the Effective Date the Member executing this Agreement forms a Delaware limited liability company pursuant to the Act. The Manager shall execute and file on behalf of the Company such amendments to the Certificate of Formation, and such trade name affidavits, additional instruments and amendments thereto, as may from time to time be necessary or appropriate to carry out this Agreement and enable the Company to conduct its business in accordance with applicable laws.

Section 1.2. Name. The name of the Company is NEF Series 2004, LLC. All business of the Company shall be conducted under that name or under any other name, but in any case, only to the extent permitted by applicable law.

Section 1.3. Places of Business. The Company may locate its places of business at any place or places as the Company may from time to time deem advisable.

Section 1.4. Registered Office and Registered Agent. The Company's initial registered office and registered agent at that address shall be as set forth in the Certificate of Formation. The Manager may, from time to time, change the registered office and registered agent through appropriate filings with the Secretary of State of the State of Delaware pursuant to the Act and by giving notice to each of the Members in the manner provided in this Agreement.

Section 1.5. Term. The Company shall dissolve on January 22, 2054 unless sooner terminated or dissolved in accordance with the provisions of this Agreement or the Act.

ARTICLE 2
DEFINITIONS

Section 2.1. Definitions Related to Management and Economic Relationships. As a result of the economic and management flexibility inherent in a limited liability company, the owners of the equity in the Company are variously defined, as are their interests in the Company. The right of any Person to participate in the profits and distributions of the Company is represented by the "Units" issued by the Company. All Persons who own Units are referred to as "Equity Owners." There are two types of Equity Owners: (1) "Members" and (2) Unit owners. A "Member" is each of the Persons who own Units and executes a counterpart of this Agreement as a Member and each Person who is hereafter admitted as a Member. A Unit owner is any Person

who owns Units and has not been admitted as a Member. Each Equity Owner has an interest in the Company that is referred to as an "Equity Interest." The Equity Interest of a Member is referred to herein as the Member's "Membership Interest" and includes not only the Member's Units but also all other rights, including the Member's right to information and the right to participate in management. The Equity Interest of a Unit owner is limited to the Unit owner's Units.

Section 2.2. Definitions. The following terms used in this Agreement shall have the following meanings (unless otherwise expressly provided herein);

- a. "Act" shall mean the Delaware Limited Liability Company Act at Delaware Code Annotated Sec. 18-101 et seq.
- b. "Affiliate" of any Equity Owner means any Person that, directly or indirectly, controls, is controlled by or is under common control with, such Equity Owner.
- c. "Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.
- d. "Book Value of the Company" means the amount of money and the book value of all property of the Company determined in accordance with generally accepted accounting principles reduced by the liabilities of the Company, except that in determining the book value of the Company, no capital contributions made during the 90 day period ending on the date of determination shall be counted.
- e. "Capital Contribution" means the cash, cash equivalents or the agreed fair market value of property which an Equity Owner contributes to the Company for Units or as a contribution to capital, net of any liabilities secured by such contributed property or which the Company assumes or subject to which the Company takes the property. Capital contributions shall not include obligations to contribute cash at a future date, until such contributions of cash are actually made.
- f. "Certificate of Formation" shall mean the Certificate of Formation of NEF Series 2004 LLC as filed with the Secretary of State of Delaware pursuant to the Act and as may be amended from time to time.
- g. "Code" shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superseding federal revenue laws.
- h. "Company" shall refer to NEF Series 2004, LLC, a limited liability company formed under that laws of the State of Delaware and any successor limited liability company.
- i. "Effective Date" shall be the date upon which the Certificate of Formation is filed in the office of the Secretary of State of Delaware pursuant to the Act.

- j. "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization.
- k. "Equity Interest" shall have the meaning set forth in Section 2.1 above.
- l. "Equity Owner" shall have the meaning set forth in Section 2.1 above.
- m. "Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.
- n. "Manager" shall mean the individual designated as Manager in this Agreement or elected or designated as provided in this Agreement or their successors. References to the Manager in the singular or as him, her, it, itself, or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- o. "Member" shall have the meaning set forth in Section 2.1 above.
- p. "Membership Interest" shall have the meaning set forth in Section 2.1 above.
- q. "Members owning a majority interest" shall mean one or more Members owning Units which exceed one-half of all the Units held by all Members.
- r. "Officers" shall mean the individuals designated as elected or designated as officers as provided in this Agreement.
- s. "Option" shall mean an option to purchase Units issued pursuant to an option plan adopted by the Company pursuant to this Agreement.
- t. "Person" shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person" where the context so permits.
- u. "Pro Rata in proportion to Units" shall refer to the determination using a fraction the numerator of which is the number of Units held by an Equity Owner and the denominator of which is the number of all Units outstanding.
- v. "Redemption Price" with respect to each Unit shall be the Book Value of the Company divided by the number of Units outstanding at the time of the redemption.
- w. "Remaining Members owning a majority interest" shall mean, in the case of a transaction in which one or more Members may have an interest, one or more Members not interested in the transaction owning Units which exceed one-half of all the Units held by all Members who are not interested in the transaction.

x. "Reorganization" means the merger or conversion of the Company, or a sale of assets, or other transaction pursuant to which a Person or Persons acquire all or substantially all of the assets of the Company in a single or series of related transactions.

y. "Selling Equity Owner" shall mean any Equity Owner that transfers for consideration all or any portion of its Units.

z. "Tax Items" shall mean the income, gain, loss, and credit of the Company determined for tax purposes.

aa. "Transfer" shall mean any transfer of Units by sale, exchange, gift, inheritance, operation of law or other transfer.

bb. "Transferee" shall mean any Person who acquires Units from a Person other than the Company.

cc. "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the code in effect as of the date of filing the Certificate of Formation and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

dd. "Unit" shall have the meaning set forth in Section 2.1 above.

ee. "Unit Owner" shall have the meaning set forth in Section 2.1 above.

ARTICLE 3 PURPOSE

The purpose of the Company shall be to engage in any lawful activity or business with the exception of the business of granting policies of insurance, or assuming insurance risks or banking.

ARTICLE 4 MEMBERS

Section 4.1. Names and Addresses. The name and address of each Member shall be as set forth in Exhibit A attached hereto.

Section 4.2. Admission of Members. By unanimous consent, the Members may admit Unit owners as Members and may admit new Members on such terms and conditions as determined by the Members. All Members must sign a copy of this Agreement and agree to be bound by the terms of this Agreement.

Section 4.3. Meetings of the Members.

a. **Annual Meeting.** There shall be an annual meeting of Members of the Company for the consideration of reports to be laid before such meeting, and the transaction of such other business as may properly be brought before the Members. The annual meeting shall

be held at the principal office of the Company in the City of Albuquerque, in Bernalillo County, New Mexico, or at such other place either within or without the State of New Mexico as may be designated by the Manager, on the 22nd of January in 2005 and in each year thereafter, if not a legal holiday and, if a legal holiday, then on the next succeeding business day.

b. **Special Meetings.** Special meetings of the Members may be called by the Manager or by Members holding at least twenty-five percent (25%) of the Units of the Company. Upon request in writing delivered either in person or by registered mail to the Manager by any persons entitled to call a meeting of Members, the Manager shall forthwith cause to be given to the Members entitled thereto notice of a meeting to be held on a date not less than seven (7) or more than sixty (60) days after the receipt of such request, as the Manager may fix. If such notice is not given within twenty (20) days after the delivery or mailing of such request, the persons calling the meeting may fix the time of the meeting and give notice thereof as provided herein, or cause such notice to be given by any designated representative. Each special meeting shall be held at the principal office of the company, unless the same is called by the Manager, in which case such meeting may be held at any place either within or without the State of New Mexico designated by the Manager and specified in the notice of such meeting.

c. **Notice of Meetings.** Not less than seven (7) or more than sixty (60) days before the date fixed for a meeting of Members, written notice stating the time and place of the meeting, and in the case of a special meeting the purposes of such meeting, shall be given by or at the direction of the Manager, or any other person or persons required or permitted by this Agreement to give such notice. The notice shall be given by personal delivery or by mail to each Member entitled to notice of the meeting, who is of record as of the day next preceding the day on which notice is given or, if a record date therefore is duly fixed, of record as of said date; if mailed, the notice shall be addressed to the Members at their respective addresses as they appear on the records of the Company. Notice of the time, place, and purposes of any meeting of Members may be waived in writing, either before or after the holding of such meeting, by any Members, which writing shall be filed with or entered upon the records of the meeting. The attendance of any Members at any such meeting without protesting the lack of proper notice, prior to or at the commencement of the meeting, shall be deemed to have waived notice of such meeting.

d. **Quorum; Adjournment.** At any meeting of the Members, the presence of Members owning a majority of the voting power of the Company, in person or by proxy, shall constitute a quorum for such meeting: PROVIDED, however, that no action required by law, by the Articles of Formation, or by this Agreement to be authorized or taken by a designated proportion of the Equity Interests of the Company may be authorized or taken by a lesser proportion; and PROVIDED, FURTHER, that the Members owning a majority interest represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time; if any meeting is adjourned, the time and place to which such meeting is adjourned shall be fixed and announced at such

meeting, and notice thereof given to all Members by such means as reasonably available and as promptly as reasonably possible.

e. **Action Without a Meeting.** Any action which may be authorized or taken at a meeting of the Members may be authorized or taken without a meeting in a writing or writings signed by all of the Members entitled to vote on such matter, which writing or writings shall be filed with or entered upon the records of the Company. A telegram, telex, cablegram, or similar transmission by a Member, or a photographic, photostatic, facsimile, or similar reproduction of a writing signed by a Member, shall be regarded as signed by the Member for purposes of this Section.

f. **Telephonic Participation in Meetings.** Members may participate in any meeting through telephonic or similar communications equipment by means of which all persons participating in the meeting can hear one another, and such participation shall constitute presence in person at such meeting.

g. **Voting of Members; Proxies.** On any matter presented to the Members for their vote, each Member shall have one vote for each Unit owned by it. Members entitled to vote or to act with respect to capital interests in the Company may vote or act in person or by proxy. The person appointed as proxy need not be a Member. Unless the writing appointing a proxy otherwise provides, the presence at a meeting of the person having appointed a proxy shall not operate to revoke the appointment. Notice to the Company, in writing or in open meeting, of the revocation of the appointment of a proxy shall not affect any vote or act previously taken or authorized.

ARTICLE 5 MANAGEMENT OF THE COMPANY

Section 5.1. Management. The business and affairs of the Company shall be managed by its Manager. Subject to Section 7.1 hereof and nonwaivable provisions of applicable law, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business to the extent provided or limited by this Agreement. The Manager may delegate any and all of his authority granted under this Section 5.1 to the Officers.

Section 5.2. Number, Tenure and Qualifications of Manager. The Company shall initially have one Manager. The number of Managers of the Company shall be fixed from time to time by the affirmative vote of the Members owning a majority interest, but in no instance shall there be less than one Manager. Each Manager shall hold office until he is removed or resigns pursuant to Section 5.6. A Manager shall be appointed by the affirmative vote of the Members owning a majority interest. A Manager need not be a Member. Except where a specific number of Managers is set forth, all actions of the Managers shall be taken by the consent or affirmative vote of a majority of the Managers, with or without a meeting.

Section 5.3. Liability for Certain Acts. The Manager does not, in any way, guarantee the return of the Equity Owners' Capital Contributions or a profit for the Equity Owners from the operations of the Company. No Manager shall be liable to the Company or to any Equity Owner for any loss or damage sustained by the Company or any Equity Interest owner, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, willful misconduct or a wrongful taking by the Manager.

Section 5.4. Manager and Equity Owners Have No Exclusive Duty to Company. No Manager who is not also an Officer shall be required to manage the Company as the Manager's sole and exclusive function and any Manager and/or Equity Owner may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any equity owner shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of the Manager and/or Equity Owner or to the income or proceeds derived therefrom. Neither any Manager nor any Equity Owner shall incur any liability to the Company or to any of the Equity Owners as a result of engaging in any other business or venture.

Section 5.5. Indemnity of the Manager, Officers, Employees and Other Agents. The Company may indemnify the Manager, officers, employees of the Company, and other agents and make advances for expenses to the maximum extent permitted under the Act, consistent with any employment or indemnification agreement with such Persons, except to the extent the claim for which indemnification is sought results from a violation of Section 5.3.

Section 5.6. Cessation as Manager. Any Manager shall cease to be a Manager on the Manager's death, incompetence, becoming a debtor under the United States Bankruptcy Code, resignation or removal. A Manager may resign at any time by giving written notice to the Members of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. All or any lesser number of Managers may be removed at any time with or without cause by Members owning a majority interest determined without regard to any Units held by the Manager or an Affiliate of the Manager. Any Equity Owner who has ceased to be a Manager shall continue to be an Equity Owner and such cessation shall not affect the rights of such Equity Owner as Member or Unit owner, as the case may be.

Section 5.7. Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company shall be filled by the affirmative vote of the Members owning a majority interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the affirmative vote of the Members owning a majority interest.

Section 5.8. Compensation, Reimbursement, Organization Expenses.

a. The compensation of the Manager shall be fixed from time to time by the Manager, and no Manager shall be prevented from receiving such compensation by reason of the fact that he is also an Equity Owner. No Member shall be entitled to compensation from the Company for services rendered to the Company as such. Upon

the submission of appropriate documentation, each Member shall be reimbursed by the Company for reasonable out-of-pocket expenses incurred by such Member on behalf of the Company or at the Company's request.

b. The Company shall reimburse the Manager and Members for the legal expenses reasonably incurred by them in connection with the formation, organization and capitalization of the Company, including the legal fees incurred in connection with the preparation of this Agreement and other actions in connection with the organization, operation, and liquidation of the Company.

c. The Manager shall cause the Company to make an appropriate election to treat the expenses incurred by the Company in connection with the formation and organization of the Company to be amortized under the 60-month period beginning with the month in which the Company begins business to the extent that such expenses constitute "organizational expenses" of the Company within the meaning of Code Section 709(b)(2).

ARTICLE 6 OFFICERS OF THE COMPANY

Section 6.1. Election and Tenure. The officers shall be appointed by the Members owning a majority interest and shall serve until their removal, resignation or other termination in office. A Manager may hold any office.

Section 6.2. Resignation, Removal and Vacancies. Any officer may resign at any time by giving written notice of resignation to the Manager, or in the case of an officer other than the President and Chief Executive Officer ("CEO"), to the President and CEO. Such resignation shall take effect when the notice is received by the Company unless the notice specifies a later effective date, and acceptance of the resignation shall not be necessary to render such resignation effective. Any officer may at any time be removed by the affirmative vote of the Members owning a majority interest, with or without cause. If any office becomes vacant for any reason, the vacancy may be filled by Members owning a majority interest. An officer appointed to fill a vacancy until a successor shall be elected or appointed and shall qualify, or until such officer's death, resignation or removal. The appointment of an officer shall not itself create contract rights in favor of the officer, and the removal of an officer does not affect the officer's contract rights, if any, with the Company, and the resignation of an officer does not affect the Company's contract rights, if any, with the officer.

Section 6.3. President and Chief Executive Officer. The President shall be the chief executive officer of the Company, which office shall have the title of President and Chief Executive Officer. The President and CEO shall preside at meetings of the Members. The President and CEO shall have general and active management of the business of the Company; shall see that all orders and resolutions of the Manager are carried into effect; and shall perform all duties as may from time to time be assigned by the Manager.

Section 6.4. Vice Presidents. The Vice Presidents, if any, shall perform such duties and possess such powers as from time to time may be assigned to them by the Manager or the

President and CEO. In the absence of the President and CEO or in the event of the inability or refusal of the President and CEO to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Manager, or in the absence of any designation, then in the order of the election or appointment of the Vice Presidents) shall perform the duties of the President and CEO and when so performing shall have all the powers of and be subject to all the restrictions upon the President and CEO.

Section 6.5. Secretary. The Secretary shall perform such duties and shall have such powers as may from time to time be assigned by the Manager or the President and CEO. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of Secretary including, without limitation, the duty and power to give notice of all meetings of Members, the preparation and maintenance of minutes of the Managers' and Members' meetings and other records and information required to be kept by the Company and for authenticating records of the Company, and to be custodian of the Company records.

Section 6.6. Treasurer. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned by the Manager or the President and CEO. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of Treasurer including, without limitation, the duty and power to keep and be responsible for all funds and securities of the Company, to deposit funds of the Company depositories selected in accordance with this Agreement, to disburse such funds as ordered by the Manager or the President and CEO, making proper accounts thereof, and to render as required by the Manager or the President and CEO statements of all these transactions taken as Treasurer and of the financial condition of the Company.

Section 6.7. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President and CEO or the Manager. In the absence, inability or refusal to Act as the Secretary or the Treasurer, the Assistant Secretaries or Assistant Treasurers, respectively, in the order designated by the Manager, or in the absence of any designation, then in the order of their election or appointment, shall perform the duties and exercise the powers of the Secretary or Treasurer, as the case may be.

ARTICLE 7 LIMITATIONS ON AUTHORITY

Section 7.1. Certain Powers of Manager and Restrictions on Authority of the Manager.

a. Subject to Sections 7.1(b) and (c) hereof, the Manager shall have power and authority, on behalf of the Company:

(i) To do and perform all other acts as may be necessary or appropriate to carry out the Company's purpose;

- (ii) To open, close, and convert bank accounts in the name of the Company, and determine the signatories thereon;
 - (iii) To purchase liability and other insurance to protect the Company's property and business;
 - (iv) To employ accountants, legal counsel, managing agents or other experts to perform services for the Company and to compensate them from Company funds;
 - (v) To make expenditures whether for operating expenses or capital acquisitions in any single transaction or series of related transactions. The fact that a Manager or an Equity Owner is, or is directly or indirectly affiliated or connected with any Person to whom the expenditure would be made, shall not prohibit the officer from dealing with that Person provided that the Person or Member or Equity Owner shall fully disclose the affiliation or connection and the transaction has been approved by remaining Members owning a majority interest after such disclosure.
 - (vi) To locate or relocate a place of business for the Company;
 - (vii) To borrow money in any single transaction or series of related transactions for the Company from banks, other lending institutions, the Manager, Members, or affiliates of the Manager or Members on such terms as they deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums;
 - (viii) To invest any Company funds temporarily (by way of example but not limitation) in time deposits, short-term governmental obligations, commercial paper or other investments;
 - (ix) To confess a judgment against the Company.
 - (x) To issue options in accordance with option plans adopted by the Members;
 - (xi) To issue Units for such consideration as such Manager may determine; and
 - (xii) To invest any Company funds temporarily (by way of example but not limitation) in time deposits, short-term governmental obligations, commercial paper or other investments.
- b. Subject to Sections 7.1(c), only with the consent of the Members owning a majority interest, any Manager shall have power and authority, on behalf of the Company:
- (i) To cause the Company to borrow money from equity owners or request additional contributions from Members;
 - (ii) To cause a change in the purpose of the Company;

- (iii) To cause the Company to be party to a reorganization;
- (iv) To do any Act which would make it impossible to fulfill the purpose of the Company;
- (v) To amend this Agreement or take any action in violation of this Agreement (other than an action or amendment described in Sections 7.1(b));
- (vi) To cause the Company to voluntarily initiate a proceeding under which the Company would become a debtor under the United States Bankruptcy Code; and
- (vii) To sell, exchange or otherwise dispose of all, or substantially all, of the Company's assets in a single or series of related transactions.

c. Notwithstanding any other provision of this Section 7.1, neither the Manager nor any Member or Members shall have the authority to take any action that would have a material adverse effect on a similarly situated group of Members (the "Affected Group") without the consent of Members of the Affected Group holding a majority of the Units held by all Members within the Affected Group, or, if the material adverse affect does not affect a group of Members in the same way, by each Member who would suffer a material adverse affect. For purposes of this Section 7.1(c), a material adverse affect is any increase in the obligation to make contributions, any modification of the allocation to the affected Member or affected group of profits, losses, income, gain, loss or credit for tax purposes or any modification in a Member's right to distributions. Notwithstanding the foregoing, no increase or decrease of the number of outstanding Units or allocation of profits, losses, income, deduction or credit for tax purposes shall be considered a material adverse affect.

Section 7.2. Right To Rely on the Manager. Any Person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by a majority of the Managers as to:

- a. The identity of any Manager, Equity Owner, or Officer;
- b. The existence or nonexistence of any fact or facts which constitute a condition precedent to acts on behalf of the Company by any Manager or which are in any other manner germane to the affairs of the Company;
- c. The Persons who are authorized to execute and deliver any instrument or document of the Company; or
- d. Any act or failure to act by the Company or any other matter whatsoever involving the Company or any Equity Owner.

ARTICLE 8 RIGHTS AND OBLIGATIONS OF EQUITY OWNERS

Section 8.1. Limitation of Liability. An Equity Owner shall not be personally liable for any debts or losses of the Company beyond such Equity Owner's Capital Contributions and any obligation of the Equity Owner under Section 7.1 or Section 7.2 to make Capital Contributions, except as provided in Section 9.3, herein or as otherwise required by law.

Section 8.2. List of Equity Owners. Upon written request of any Member, the Manager shall provide a list showing the names, addresses, and Units of all Equity Owners.

Section 8.3. Company Books. In accordance with Section 10.7 herein, the Manager shall maintain and preserve, during the term of the Company, and for five (5) years thereafter, all accounts, books, and other relevant Company documents. Upon reasonable request, each Member shall have the right, during ordinary business hours, to inspect and copy such Company documents at the requesting Equity Owner's expense.

Section 8.4. Priority and Return of Capital. No Equity Owner shall have priority over any other Equity Owner, either as to the return of capital contributions or as to profits, losses or distributions; provided that this section shall not apply to loans (as distinguished from Capital Contributions) that an Equity Owner has made to the Company.

ARTICLE 9 CONTRIBUTIONS TO THE COMPANY

Section 9.1. Capital Accounts. An individual capital account shall be established and maintained for each Member and has been or shall be credited with the amount of each Member's initial capital contribution to the Company. Whenever there are two or more Members, each Member's capital account shall be determined and maintained throughout the term of the Company in accordance with all applicable provisions the Code and the Treasury Regulations promulgated thereunder, including Section 704(b) of the Code or its counterpart in any subsequently enacted Internal Revenue Code and the provisions of this Agreement.

Section 9.2. Equity Owners' Capital Contributions. Concurrently with the execution of this Agreement, each Initial Member shall contribute to the Company the appropriate amount as set forth in Exhibit A attached hereto.

Section 9.3. Additional Contributions. The undersigned recognizes that the income produced by the Company may be insufficient to pay the Company's operating costs. The term "operating costs" shall include, without limiting the generality of said term, all real estate taxes and assessments and other state and governmental charges, insurance premiums, costs of repair and maintenance, cost of improvements, and the principal and interest payments required to be made on any loans or mortgages of the Company. If, in the opinion of the Manager, additional funds are required to pay the operating costs of the Company, the Manager shall notify all of the Members of the amount needs for such operating costs. Upon the affirmative vote of the Members owning a majority interest, such additional funds shall be contributed by each Equity

Owner in proportion to his ownership of Units. Each Equity Owner shall be required to make such additional Capital Contributions as shall be determined by the affirmative vote of the Members owning a majority interest to be reasonably necessary to meet the operating costs of the Company. Upon the making of any such determination, the Manager shall give written notice to each Equity Owner specifying the aggregate amount and such Equity Owner's share (determined pro rata in proportion to Units) of the required additional contribution, and each Equity Owner shall deliver to the Company its share thereof no later than 30 days following the date such notice is given. In the event any Equity Owner (the "Defaulting Equity Owner") fails to make that Equity Owner's additional contribution as provided herein, all Equity Owners (the "Nondefaulting Equity Owners") who have made their additional contribution hereunder shall be offered the opportunity to make the additional contribution that such Equity Owner has failed to make. In addition, the Manager may issue additional Units to the Nondefaulting Equity Owners who made their contributions in an amount to be determined by the Manager to be fair and reasonable considering the amount of additional contributions, provided that in the event the defaulting Equity Owner reimburses the nondefaulting Equity Owners who have made the defaulting Equity Owner's additional contribution plus interest at the prime interest rate quoted in the Wall Street Journal on the date of reimbursement plus four (4) percentage points within six months after the Nondefaulting Equity Owners have made their contributions, the Manager shall issue sufficient additional Units to Equity Owners to restore the ratio of Equity Owners Units to the ratio that existed before the call for additional contributions. None of the terms, covenants, obligations or rights contained in this Section 9.3 is or shall be deemed to be for the benefit of any Person or entity other than the Members and the Company, and no such third Person shall under any circumstances have any right to compel any actions or payments by the Manager and/or the Members.

ARTICLE 10 UNITS

Section 10.1. Classes of Units. The Company shall have one class of Units. Each Unit shall have equal rights and preferences in the assets of the Company.

Section 10.2. Distributions.

- a. Distributions shall be distributed to the Members in proportion to Units.
- b. Distributions shall be made at such times as determined by the Manager in their sole discretion. All amounts withheld pursuant to any provisions of federal, state or local tax law with respect to any payment or distribution to the Members from the Company shall be treated as amounts distributed to the relevant Member or Members pursuant to this Section 10.2.

Section 10.3. Limitation Upon Distributions. No distribution shall be declared and paid that would be prohibited under the Act.

Section 10.4. Interest On and Return of Capital Contributions. No Member shall be entitled to interest on its Capital Contribution or to return of its Capital Contribution, except as otherwise specifically provided for herein.

Section 10.5. Loans to Company. Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company in accordance with terms and conditions approved by the Manager.

Section 10.6. Accounting Period. The Company's accounting period shall be the calendar year.

Section 10.7. Records, Audits and Reports. At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company. At a minimum the Company shall keep at its principal place of business the following records:

- a. A current list of the full name and last known business, residence, or mailing address of each past and present Equity Owner;
- b. A copy of the Certificate of Formation of the Company and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- c. Copies of the Company's federal, state, and local income tax returns and reports, if any, for the four (4) most recent years;
- d. Copies of the Company's currently effective Agreement, copies of any writings permitted or required with respect to a Member's obligation to contribute cash, property or services, and copies of any financial statements of the Company for the three most recent years;
- e. Minutes of every annual, special meeting and court-ordered meeting; and
- f. Any written consents obtained from Members for actions taken by Members without a meeting.

ARTICLE 11 TRANSFERABILITY AND WITHDRAWAL

Section 11.1. Withdrawal. Any Equity Owner (the withdrawing Equity Owner) who wishes to withdraw may give notice to the Company and the other Equity Owners, in which event the Company shall have the right, but not the obligation, to redeem the withdrawing Equity Owner's Units for an amount equal the redemption price for those Units determined at the time of withdrawal. If the Company elects to repurchase the withdrawing Equity Owner's Units, the redemption price is to be paid without interest in six (6) equal annual installments commencing seventy-five (75) days after the Company's receipt of the notice of withdrawal. The Company shall have the right to assign the right to purchase the withdrawing Equity Owner's Units to one or more

other persons, in which case such other Persons shall have the right to purchase the withdrawing Equity Owner's interest as provided in this Section 11.1. In the event the Company and other Persons do not purchase all of the withdrawing Equity Owner's Units, the withdrawing Equity Owner, if a Member, shall cease to be a Member, but shall otherwise remain as an Equity Owner.

Section 11.2. Transfer of Interest. Except as otherwise specifically provided in this ARTICLE 11, no Equity Owner shall have the right to sell, assign, transfer, exchange or otherwise transfer (collectively, for purposes of this ARTICLE 11 "Sell" or "Sale"), all or any of such Equity Owner's Units. Each Equity Owner hereby acknowledges the reasonableness of the restrictions on the sale of Units imposed by this Agreement in view of the Company purposes and the relationship of the Equity Owners. Accordingly, the restrictions on sale contained herein shall be specifically enforceable. In the event that any Equity Owner pledges or otherwise encumbers any of that Equity Owner's Units as security for repayment of a liability, any such pledge or hypothecation shall be made pursuant to a pledge or hypothecation Agreement that requires the pledgee or secured party to be bound by all the terms and conditions of this ARTICLE 11.

Section 11.3. Right of First Refusal.

a. A Selling Equity Owner desiring to sell all or any portion of the Selling Equity Owner's Units to a Person shall obtain from such Person a bona fide written offer to purchase such interest, stating the terms and conditions upon which the sale is to be made and the consideration offered therefore. The Selling Equity Owner shall give written notification to the Company's remaining Equity Owners, by certified mail or personal delivery of its intention to sell such interest, furnishing to the remaining Equity Owners a copy of the aforesaid written offer to acquire such interest.

b. The Company or the remaining Equity Owners, and each of them shall, on a basis Pro Rata in proportion to Units or on a basis Pro Rata in proportion to Units of those remaining Members exercising their right of first refusal, have the right to exercise a right of first refusal to purchase all (but not less than all) of the interest proposed to be sold by the Selling Equity Owner for a price equal to the price stated in the written offer. The price to be paid for such Units shall be paid upon the same terms and conditions as stated in the aforesaid written offer to purchase. If the Company, remaining Equity Owners or both elect to purchase the Selling Equity Owner's Interest, they shall notify the Selling Equity Owner by giving written notification to the Selling Equity Owner, by certified mail or personal delivery, of their intention to do so within thirty (30) days after receiving written notice from the Selling Equity Owner. The failure of the Company, the remaining Equity Owners (or any one or more of them) to so notify the Selling Equity Owner of their desire to exercise this right of first refusal within said thirty (30) day period shall result in the termination of the right of first refusal and the Selling Equity Owner shall be entitled to consummate the sale of its interest in the Company, or such portion of its interest, if any, with respect to which the right of first refusal has not been exercised, to such third party purchaser, subject to the limitations imposed by Section 11.4 below.

In the event the remaining Equity Owners (or any one or more of the remaining Equity Owners) give written notice to the Selling Equity Owner of their desire to exercise this right of first refusal and to purchase all of the Selling Equity Owner's interest in the Company which the Selling Equity Owner desires to sell upon the same terms and conditions as are stated in the aforesaid written offer to purchase, the remaining Members shall have the right to designate the time, date and place of closing, provided that the date of closing shall be within ninety (90) days after receipt of written notification from the Selling Equity Owner of the third party offer to purchase.

c. In the event of either the purchase of the Selling Equity Owner's Units in the Company by a Person or the purchase of Units from the Company pursuant to any option, and as a condition to recognizing one or more of the effectiveness and binding nature of any such sale and (subject to Section 11.4, below) admission of the proposed transferee as a Member as against the Company or otherwise, the remaining Members may require the Selling Equity Owner and the proposed transferee to execute, acknowledge and deliver to the remaining Members such instruments of transfer, assignment and assumption and such other certificates, representations and documents, and to perform all such other acts which the remaining Members may deem necessary or desirable to:

- (i) Constitute such transferee as an Equity Owner;
- (ii) Confirm that the transferee has accepted, assumed and agreed to be subject and bound by all of the terms, obligations and conditions of the Agreement, as the same may have been further amended (whether such Person is to be admitted as a Member or will merely be a Unit owner);
- (iii) Preserve the Company after the completion of such sale under the laws of each jurisdiction in which the Company is qualified, organized or does business;
- (iv) Maintain the status of the Company as a partnership for federal tax purposes; and
- (v) Assure compliance with any applicable state and federal laws including securities laws and regulations.

d. Any sale of a Unit or admission of a Member in compliance with this ARTICLE 11 shall be deemed effective as of the last day of the calendar month in which the remaining Members' consent thereto was given, or, if no such consent was required then on such date that the transferee complies with Section 11.3(c). The Selling Equity Owner agrees, upon request of the remaining Members, to execute such certificates or other documents and perform such other acts as may be reasonably requested by the remaining Members from time to time in connection with such sale or admission of the transferee as a Member. The Selling Equity Owner hereby indemnifies the Company and the remaining Members against any and all loss, damage, or expense (including, without limitation, tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this ARTICLE 11.

Section 11.4. Transferee or Optionee Not Member in Absence of Unanimous Consent. A transferee of Units, or an optionee acquiring Units through the exercise of an option who was not a Member before the transfer or exercise shall not be admitted as a Member unless the transferee or optionee is admitted as a Member in accordance with Section 4.2. Unless admitted as a Member, such transferee or optionee shall have no right to participate in the management of the business and affairs of the Company or to become a Member.

a. Upon and contemporaneously with any transfer or redemption by the Company of all Units owned by a Member, such Member shall cease to have any further rights under this Agreement.

b. The restrictions on transfer contained in this Section 11.4 are intended to comply (and shall be interpreted consistently) with the restrictions on sale set forth in Sections 18-702 and 18-704 of the Act.

Section 11.5. Specific Enforcement. Because of the unique relationship of the Equity Owners and the Company and the unique value of their interests therein, in addition to any other remedies for breach hereof, the provisions of this Agreement concerning sale of Units shall be specifically enforceable.

The Manager, with the unanimous consent of the Members, shall admit Unit owners as Members and may admit new Members and issue Units and accept such Capital Contributions as the Manager determines from time to time. In addition, the Manager, with the consent of Members owning a majority interest, may grant options to any Person or entity acceptable to the Members by their unanimous vote thereof may become a Member in this Company either by the issuance by the Company of Membership Interests for such consideration as the Members by their unanimous votes shall determine, or as a Member, subject to the terms and conditions of this Agreement.

ARTICLE 12 DISSOLUTION AND TERMINATION

Section 12.1. Dissolution. The Company shall be dissolved upon the written agreement of all of the Members. Notwithstanding any provision of the Act to the contrary, the Company shall continue and not dissolve as a result of the death, retirement, resignation, expulsion, bankruptcy, or dissolution of any Member or any other event that terminates the continued Membership of the Member.

Section 12.2. Winding Up, Liquidation and Distribution of Assets.

a. Upon dissolution, the Manager shall immediately proceed to wind up the affairs of the Company.

b. Upon the winding up of the Company, the assets shall be distributed as follows:

(i) First, to creditors, including Equity Owners and Managers who are creditors in satisfaction of liabilities of the Company (whether by payment or the

making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made; and

(ii) Then, to Equity Owners pro rata in proportion to Units.

Section 12.3. Certificate of Cancellation. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefore and all of the remaining property and assets have been distributed to the Members, a certificate of cancellation shall be prepared, executed and filed in accordance with the Act.

Section 12.4. Return of Contribution Nonrecourse to Other Members. Except as provided by law or as expressly provided in this Agreement, upon dissolution, each Member shall look solely to the assets of the Company for the return of his or its Capital Contribution. If the distribution provided in Section 12.2 is insufficient to return the Capital Contribution of one or more Members, such Member or Members shall have no recourse against the Company or any other Member.

ARTICLE 13 TAXATION MATTERS

Section 13.1. Scope of ARTICLE 13. This ARTICLE 13 addresses certain issues of the taxation of the Company and its Members and is not intended to affect any other economic rights of the Members. To the extent any provision of this ARTICLE 13 is inconsistent with any other provision of this Agreement, such other provision shall govern.

Section 13.2. Company Treated as a Partnership—Election To Be Treated as Corporation. The Company shall be treated as a partnership for federal tax purposes and shall not elect to be treated as a corporation under Treasury Regulations Sec. 301.7701-3© unless such treatment is approved by Members owning a majority interest. If such election is approved, any Manager may execute the election to be treated as a corporation.

Section 13.3. Allocation of Tax Items.

a. Tax Items shall be allocated among the Equity Owners in accordance with the Equity Owner's interest in the Company. In allocating Tax Items, the allocations should consider the Members' relative contributions to the Company, the interests of the Members in economic profits and losses, the interests of the Members in cash flow and other non-liquidating distributions, and the rights of the Members to distribution upon liquidation.

b. To the extent consistent with Code Section 704(b), the Company should allocate Tax Items as if it maintained capital accounts in accordance with Treasury Regulations Sec. 1.704-1(b)(2)(iv) which are credited or charged with tax items in such a manner to cause the capital accounts to equal the amount that would be distributed on liquidation at the close of each fiscal year. In making allocations, the capital accounts should be computed without an obligation to restore deficit capital accounts as described in

Treasury Regulations Sec. 1.704-1(b)(2)(c), with a "qualified income offset" as defined in Treasury Regulations Sec. 1.704-1(b)(2)(d)(6), in which capital accounts are revalued as provided in Treasury Regulations Sec. 1.704-1(b)(2)(iv)(f) and in which built in gain and built in loss as defined Treasury Regulations Sec. 1.704-3(a)(3) and differences between book value and tax basis as a result of revaluation as described in Treasury Regulations Sec. 1.704-3(a)(6) is accounted for using the traditional method of making section 704(c) allocations as described in Treasury Regulations Sec. 1.704-3(b).

c. **Returns and Other Elections.** The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company in each jurisdiction in which the Company does business. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of each fiscal year.

All elections permitted to be made by the Company under federal or state laws and the appointment of the tax matters partner for purposes of Code Sec. 6231 shall be made by the Manager.

ARTICLE 14 MISCELLANEOUS PROVISIONS

Section 14.1. Accounting Principles. The profits and losses of the Company shall be determined in accordance with generally accepted accounting principles applied on a consistent basis using the accrual method of accounting. It is intended that the Company will elect those accounting methods that provide the Company with the greatest tax benefits.

Section 14.2. Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as appropriate, which is set in Exhibit A attached hereto. Except as otherwise provided herein, any such notice shall be deemed to be given three (3) business days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

Section 14.3. Books of Account and Records. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Manager. Such books and records shall be maintained as provided in Section 10.7. The books and records shall be maintained at the principal place of business of the Company and shall be open to the reasonable inspection and examination of the Members, Assignees or their duly authorized representatives during reasonable business hours.

Section 14.4. Application of Delaware Law. This Agreement, and the application of interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Delaware, and specifically the Act.

Section 14.5. Confidentiality. Except as contemplated hereby or required by a court of competent authority, each Member shall keep confidential and shall not disclose to any third party and shall use its reasonable efforts to prevent its affiliates, employees, agents, and representatives from disclosing to third parties without the prior written consent of the Manager any information which (1) pertains to this Agreement, any negotiations pertaining hereto, any of the transactions contemplated hereby, or the business of the Company, or (2) pertains to non-public or proprietary information of any Member or the Company or which any Member has labeled in writing as confidential or proprietary; provided that any Member may disclose such information to its affiliates, employees, agents, and representatives. No Member shall use, and each Member shall use its best efforts to prevent any affiliate of such Member from using, any information which (1) pertains to this Agreement, any negotiations pertaining hereto, any of the transactions contemplated hereby, or the business of the Company, or (2) pertains to nonpublic or proprietary information of any Member of the Company or which any Member has labeled in writing as confidential or proprietary, except in furtherance of the business of the Company.

Section 14.6. Waiver of Action for Partition. Each Member and assignee irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

Section 14.7. Amendments. This Agreement may not be amended except by the unanimous written agreement of all the Members.

Section 14.8. Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other documents or instruments as may be necessary to comply with any laws, rules or regulations.

Section 14.9. Waivers. The failure of any party to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent Act that would have originally constituted a violation, from having the effect of an original violation.

Section 14.10. Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Section 14.11. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

Section 14.12. Successors and Assigns. Each and all of the covenants, terms, provisions and Agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective successors and assigns.

Section 14.13. Creditors. None of the provisions of this Agreement shall be for the benefit of, or enforceable by any creditors of the Company.

Section 14.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Section 14.15. Rule Against Perpetuities. Parties hereto intend that the Rule Against Perpetuities (and any similar rule of law) not be applicable to any provisions of this Agreement. However, notwithstanding anything to the contrary in this Agreement, if any provision in this Agreement would be invalid or unenforceable because of the rule against perpetuities or any similar rule of law but for this Section 14.15, the parties hereto hereby agree that any future interest which is created pursuant to said provision shall cease if it is not vested within twenty-one years after the death of the survivor of the group composed of the undersigned Members and their living issue as of the Effective Date.

CERTIFICATE

The undersigned hereby agree, acknowledge and certify that the foregoing Operating Agreement, consisting of 22 pages, excluding the Table of Contents and attached Exhibits, constitutes the Agreement of NEF Series 2004, LLC adopted by the Members of the Company as of the Effective Date.

COMPANY:

NEF Series 2004, LLC

By: 
E. James Ferland
President and Chief Executive Officer

MEMBER:

Louisiana Energy Services, L.P.

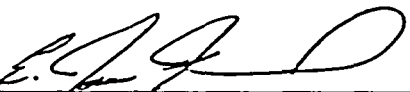
By: 
E. James Ferland
President and Chief Executive Officer

EXHIBIT A
MEMBER CONTRIBUTIONS

Member	Initial Capital Contribution	Initial Units
Louisiana Energy Services, L.P. One Sun Plaza 100 Sun Lane NE, Suite 204 Albuquerque, NM 87109	\$100	100

Exhibit A

EXHIBIT F
AUTHORIZING RESOLUTIONS

**ACTION BY SOLE MEMBER
of
NEF SERIES 2004, LLC**

The undersigned, being the Sole Member of NEF Series 2004, LLC, a Delaware limited liability company ("the Company"), in lieu of holding a special meeting, hereby takes the following actions and adopts the following resolutions pursuant to Section 18-302 of the Delaware Limited Liability Company Act and Section 4.3 of the Company's Operating Agreement:

1. APPOINTMENT OF OFFICERS.

Resolved, that, pursuant to Sections 5.2 and 6.1 of the Company's Operating Agreement, E. James Ferland is appointed as the Manager and President and Chief Executive Officer ("CEO") of the Company (referred to herein as "the President") until such time as he resigns or is removed from such offices, and is given the customary duties and powers of limited liability company manager as well as those of a corporate president and CEO.

Further Resolved, that, pursuant to Section 6.1 of the Company's Operating Agreement, John W. Lawrence is appointed as the Secretary of the Company until such time as he resigns or is removed from that office, and is given the customary duties and powers of a corporate secretary in addition to such duties and powers as the President may delegate to him from time to time.

2. PURCHASE OF BOND.

Resolved, that the Company is authorized to purchase and to hold that certain industrial revenue bond (the "Bond") to be issued by the Lea County, State of New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "County") involving the construction, establishment and operation of a uranium enrichment facility by Louisiana Energy Services, L.P., a Delaware limited partnership ("the Partnership"), as agent for the County, and to enter into certain agreements and other documents including, but not limited to, a Bond Purchase Agreement and an Indenture in connection with the issuance of the Bond.

Further Resolved, that the President is authorized to take all actions and execute all documents, certificates and other instruments necessary on behalf of the Company to purchase and hold the Bond and consummate the transactions contemplated by the Bond Purchase Agreement and the Indenture.

3. REGISTRATION OF THE COMPANY.

Resolved, that the President is authorized and directed to register the Company with such state or federal agencies, including taxing authorities, as may be necessary to authorize the Company to lawfully conduct business in New Mexico.

4. DELEGATION OF AUTHORITY.

Resolved, that, pursuant to Section 5.1 of the Company's Operating Agreement, those powers of the Manager and restrictions on the authority of the Manager set forth in Sections 7.1(a), (b) and (c) are delegated to the President and CEO.

Resolved Further, that, pursuant to Section 5.1 of the Company's Operating Agreement, those duties set forth in Section 8.3 are delegated to the President and CEO and Secretary.

Resolved Further, that the President and the Secretary are authorized to delegate to the officers, agents, and employees of the Company so much of their authority as they deem necessary or convenient to the Company's operations.

5. OTHER RESOLUTIONS.

Resolved, that all actions which have previously been taken by the President or the Secretary, or by any employee, agent, attorney, and independent contractor of the Company in connection with the transactions contemplated by any of the foregoing resolutions be, and they hereby are, approved, ratified, and confirmed in all respects.

Further Resolved, that the President and Secretary are authorized and directed, for and on behalf of the Company, to take such actions and do such things, and to execute and deliver such agreements, instruments, certificates, waivers, consents and other documents, to make any changes or amendments to any of the foregoing and to institute or defend, on the advice of counsel, all such litigation, as they may deem necessary, appropriate, or convenient to effectuate the purpose and intent of, and to consummate the transactions contemplated by, each of the foregoing resolutions, the authority for the making of such agreements, instruments, certificates, waivers, consents, and other documents to be conclusively evidenced thereby.

Further Resolved, that a copy of this Action by Sole Member be filed in the minute book of the Company.

The actions taken by this Action of Sole Member shall have the same force and effect as if taken by the Sole Member at a meeting of the Members, duly called and constituted pursuant to the Operating Agreement and the Delaware Limited Liability Company Act.

IN WITNESS WHEREOF, the undersigned, being the Sole Member of the Company,
has executed this Action by Sole Member as of January 22, 2004.

LOUISIANA ENERGY SERVICES, L.P.

By: 
E. James Ferland
President and Chief Executive Officer

12

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

DEPOSITORY CERTIFICATE

The undersigned officer of Bank of Albuquerque, N.A., a national banking association, (the "Depository"), appointed as depository under the Indenture dated the date hereof (the "Indenture") among Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners, NEF Series 2004, LLC, a Delaware limited liability company, and the Depository, certifies on behalf of the Depository that:

1. I am an officer of the Depository, and, as stated on the resolution of the directors of the Depository attached as Exhibit A hereto, am authorized to execute and deliver this certificate on behalf of the Depository.
2. The Indenture has been duly executed and delivered by the Depository.
3. The Depository has all necessary corporate and trust powers required to execute and deliver, and to perform its obligations under, the Indenture.
4. To the best of my knowledge, the execution and delivery by the Depository of the Indenture and the performance by the Depository of its obligations under the Indenture will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree, or any agreement or other instrument to which the Depository is subject or by which the Depository is bound.

Dated: January 22, 2004

BANK OF ALBUQUERQUE, N.A.

By: Helene Cobos-Chenier
Helene Cobos-Chenier
Vice President and Trust Officer

Attest:

Donald Feuneme
Its: Assistant Vice President and Trust Officer

EXHIBIT A
INCUMBENCY CERTIFICATE

EXCERPT OF JOINT RESOLUTION REGARDING THE ORGANIZATION AND OPERATION OF THE
TRUST DIVISION OF
BANK OF ALBUQUERQUE, N.A.
BANK OF ARKANSAS, N.A.
BANK OF OKLAHOMA, N.A.
BANK OF TEXAS, N.A.
BANK OF TEXAS TRUST COMPANY, N.A.
and
SOUTHWEST TRUST COMPANY

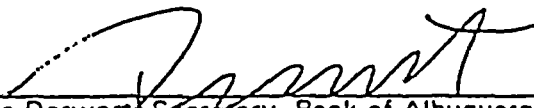
"RESOLVED, that the senior fiduciary officer of each entity (Bank of Albuquerque, N.A. (BAQ), Bank of Arkansas, N.A. (BARK), Bank of Oklahoma, N.A. (BOK), and Bank of Texas, N.A. (BOT), Bank of Texas Trust Company (BOTTC), and Southwest Trust Company (SWTC)) shall be responsible for the day-to-day executive management of respective entities. Trust Officers appointed from time to time by the Boards of Directors or Board Trust Committees shall have the authority to execute, on behalf of the respective organizations, contracts, documents, or papers pertaining to the performance of the fiduciary powers of and, if necessary, to cause the seal of the organization to be affixed thereto; and the senior fiduciary officer of BAQ, BARK, BOK, BOT, BOTTC, and SWTC shall designate those Trust Officers and staff members who are authorized and empowered, and the limits of such authority, to purchase or otherwise acquire, sell, assign, transfer and deliver all shares of stocks, bonds, debentures, notes, real estate, evidence of indebtedness, deeds, conveyances, contracts, including oil and gas interests of all kinds and of contracts for the development thereof, and to execute mortgages, and releases of mortgages on any and all property or securities now or hereafter standing in the name of the organization in any fiduciary capacity, and to make, execute, and deliver, any and all written instruments necessary or proper to effectuate the authority hereby delegated."

All other officers and agents designated by the respective Boards of Directors and assigned to the Trust Division, shall, under the supervision of the senior fiduciary officer, perform any duties as may be required of such last name officer or agent, and may exercise any of the powers and authorities by this Resolution vested in him/her.

CERTIFICATION

I, the undersigned, Secretary of Bank of Albuquerque, N.A.; Bank of Arkansas, N.A. Bank of Oklahoma, N.A.; and Bank of Texas, N.A. hereby certify that the above is a true and correct excerpt from the *Joint Resolution Regarding the Organization and Operation of Bank of Albuquerque, N.A., Bank of Arkansas, N.A., Bank of Oklahoma, N.A.; Bank of Texas, N.A.; Bank of Texas Trust Company, N.A.; and Southwest Trust Company*, passed at a regular monthly meeting as reflected by the Minutes in the Minute Book of said entity, and I further certify that at said meetings, a quorum of the Directors was present and voting throughout, and I further certify that the following officers and agents are duly elected, qualified, and now acting:

Dated this 22nd day of January, 2004.

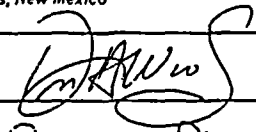
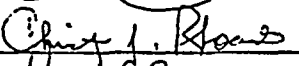
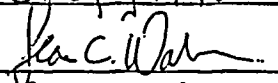
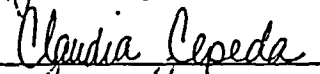
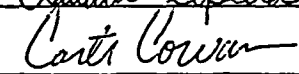
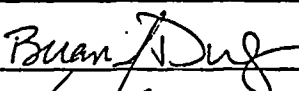
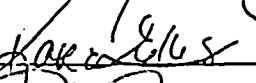
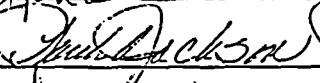
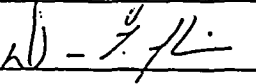


Frederic Dorwart, Secretary, Bank of Albuquerque, N.A.;
Bank of Arkansas, N.A.; Bank of Oklahoma, N.A.;
and Bank of Texas, N.A.

BANK OF ALBUQUERQUE, N.A.
BANK OF ARKANSAS, N.A.
BANK OF OKLAHOMA, N.A.
BANK OF TEXAS, N.A.
BANK OF TEXAS TRUST COMPANY, N.A.
SOUTHWEST TRUST COMPANY

Legend:
EVP = Executive Vice President
SVP = Senior Vice President
VP = Vice President
AVP = Assistant Vice President
CIO = Chief Investment Officer
STO = Senior Trust Officer
TO = Trust Officer
TOO = Trust Operations Officer
TIO = Trust Investment Officer

TRUST DIVISION AUTHORIZED SIGNATURES AND INITIALS

Sorted by: (1) Location; (2) Department; (3) Name														Approval: Division Manager	
NAME	TITLE	SIGNATURE	INITIALS	DEPARTMENT	LOCATION (AR, NM, OK, & TX)	600024642 Trust Funds (\$ Limit)	207923401 EB Pension (\$ Limit)	600809107 Trust Voucher (\$ Limit)	103503051 Bondholder Account (\$ Limit)	2880606220 MMDA Cash Sweep - TX	700162813 MMDA Cash Sweep	7827202650 MMDA Cash Sweep - NM	60002411 Investor Fund Sweep	966162813 MMDA Cash Sweep - Ark.	De; Mana, Appr: (Initi):
EMPLOYEE BENEFITS - Tulsa, Arkansas, New Mexico															
Wood, Don A.	AVP & TO		DAW	Employee Benefits - AR	AR - Fayetteville	X	X	X							
Rhoads, Christy J.	VP & TO		CR	Employee Benefits - NM	NM - Albuquerque	X	X	X							
Walker, Sean C.	VP & TO		SW	Employee Benefits - NM	NM - Albuquerque	X	X	X							
Cepeda, Claudia M.	TO		CC	Employee Benefits - OK - Tulsa	OK - Tulsa										
Cowan, Carter J.	AVP & TO		CC	Employee Benefits - OK - Tulsa	OK - Tulsa	X	X	X							
Dugan, Brian J.	TO		BD	Employee Benefits - OK - Tulsa	OK - Tulsa	X	X	X							
Ellis, Karen A.	VP & TO		KE	Employee Benefits - OK - Tulsa	OK - Tulsa	X	X	X							
Jackson, Paula A.	VP & TO		PA	Employee Benefits - OK - Tulsa	OK - Tulsa	X	X	X							
Jenkins, Diane L.	VP & TO		DJ	Employee Benefits - OK - Tulsa	OK - Tulsa										

BANK OF ALBUQUERQUE, N.A.
BANK OF ARKANSAS, N.A.
BANK OF OKLAHOMA, N.A.
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COLORADO STATE BANK AND TRUST, N.A.
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Approval: _____
Division Manager

NAME	TITLE	SIGNATURE	INITIALS	DEPARTMENT	LOCATION (AR, NM, OK, & TX)	600024642 Trust Funds (\$ Limit)	207923401 EB Pension (\$ Limit)	600809107 Trust Voucher (\$ Limit)	103503051 Bondholder Account (\$ Limit)	2880606220 MMDA Cash Sweep - TX	700162813 MMDA Cash Sweep	7827202650 MMDA Cash Sweep - NM	700002411 Investor Fund Sweep	968162813 MMDA Cash Sweep - Ark.	Dept. Manager's Approval (Initials)
CORPORATE TRUST - ALL LOCATIONS															
Bailey, Barbara E.	VP & TO	<i>Barbara Bailey</i>	<i>BB</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
Cobos-Chenier, Helene	VP & TO	<i>Helene Cobos-Chenier</i>	<i>NCC</i>	Corporate Trust - NM	NM - Albuquerque	X		X							<i>tc</i>
Cook, Timothy M.	SVP & STO	<i>Tim Cook</i>	<i>TC</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
Fennema, Donald	AVP & TO	<i>Donald Fennema</i>	<i>DF</i>	Corporate Trust - NM	NM - Albuquerque	X		X							<i>tc</i>
McCoy, W. Mark	VP & TO	<i>W. Mark McCoy</i>	<i>WM</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
Redd-Singleton, Rachel U.	VP & TO	<i>Rachel Redd-Singleton</i>	<i>rs</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
Scoggins, Linda G.	TO	<i>Linda L. Scoggins</i>	<i>LS</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
Shipman, M. Sue	VP & TO	<i>Sue Shipman</i>	<i>SS</i>	Corporate Trust - OK - OKC	OK - OKC	X		X							<i>tc</i>
															<i>tc</i>







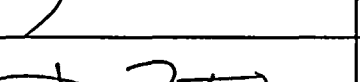


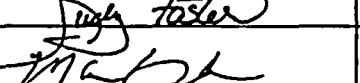


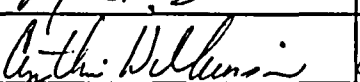





BANK OF ALBUQUERQUE, N.A.
 BANK OF ARKANSAS, N.A.
 BANK OF OKLAHOMA, N.A.
 BANK OF TEXAS, N.A.
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Sorted by: (1) Location; (2) Department; (3) Name

Approval: _____
 Division Manager

NAME	TITLE	SIGNATURE	INITIALS	DEPARTMENT	LOCATION (AR, NM, OK, & TX)	600024642 Trust Funds (\$ Limit)	207923401 EB Pension (\$ Limit)	600809107 Trust Voucher (\$ Limit)	103503051 Bondholder Account (\$ Limit)	2880606220 MMDA Cash Sweep - TX	700162813 MMDA Cash Sweep	7827202650 MMDA Cash Sweep - NM	700002411 Investor Fund Sweep	966162813 MMDA Cash Sweep - Ark.	Dept. Manager's Approval (Initials)
Campbell, Mary P.	VP & TIO			Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							
Farris, Sherry A.	VP & TO			Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							
Floyd, G. Darlene				Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							
Foster, Judy	TO			Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							
Nelson, Marlen D.	VP & TO			Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							
Wilkinson, Cynthia S.	VP & TO			Corporate Trust - OK - Tulsa	OK - Tulsa	X		X							

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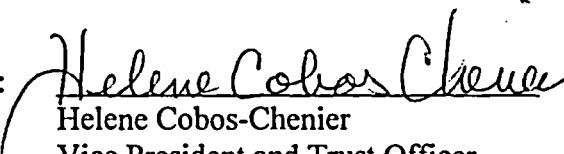
\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

DEPOSITORY FEE AGREEMENT

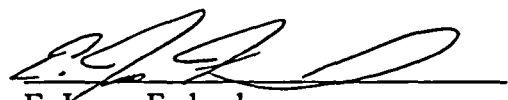
NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), and the Bank of Albuquerque, N.A., a national banking association (the "Depository"), are parties to that certain Indenture dated the date hereof (the "Indenture") among Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), the Depository and the Purchaser. Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (the "Company"), the Purchaser and the Depository agree that attached hereto is the fee proposal offered by the Depository to perform its obligations under the Indenture, which proposal is hereby accepted by the Company in accordance with that certain Lease and Purchase Agreement dated the date hereof between the Issuer and the Company.

Dated: January 22, 2004

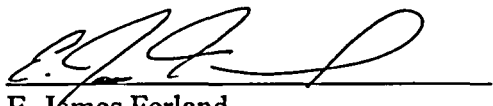
BANK OF ALBUQUERQUE, N.A.

By: 
Helene Cobos-Chenier
Vice President and Trust Officer

LOUISIANA ENERGY SERVICES, L.P.

By: 
E. James Ferland
President and Chief Executive Officer

NEF SERIES 2004, LLC

By: 
E. James Ferland
President and Chief Executive Officer

\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

**BANK OF ALBUQUERQUE, N.A
FEE SCHEDULE**

- I. Acceptance Fee \$500
Our acceptance fee covers the review, acceptance and assumption of all responsibilities and duties as Trust Depository under the agreements, participation in document conferences, establishing records and accounts, authentication and delivery of bonds, receipt of funds, consultation with counsel and attendance at closings. This one time fee is payable at the closing of the financing.
- II. Annual Administration Fee \$2,000
This annual fee includes the normal day-to-day administration of the issue performed in accordance with the governing documents, maintenance of the Acquisition Account, including disbursements for Related Costs, preparing and delivering Status Reports, investing and reinvesting moneys in the Acquisition Account upon direction of the Company and other duties and functions associated with the Trust Depository. Our annual administration fee is billed annually in advance and the first year fee is due at closing.
- III. Customized Services
Extraordinary services and fees are not included in the administration fee and will be billed in addition to the above fees, if applicable, including such fees as (but not limited to): legal counsel, outside accounting firms, settlement for delivery of physical securities, publication costs and travel expenses of bank officers to attend closing.

Fees quoted and acceptance of the appointments are contingent upon review of the trust documents. If the structure of the proposed issue changes substantially from that described originally, Bank of Albuquerque reserves the right to revise its fees accordingly. New Mexico gross receipts tax at the current rate will be added to the above fees.

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\$1,800,000,000
LEA COUNTY, NEW MEXICO
INDUSTRIAL REVENUE BOND
(NATIONAL ENRICHMENT FACILITY PROJECT)
SERIES 2004

CLOSING MEMORANDUM

A. General Matters

The closing for the above-captioned bond issue will be on January 22, 2004 at 10:00 a.m. at the offices of Rodey, Dickason, Sloan, Akin & Robb, P.A., 201 Third St. N.W., Suite 2200, Albuquerque, New Mexico 87102.

All transactions at the closing will be deemed to have taken place simultaneously and no transaction to have been completed and no document to have been delivered unless and until all transactions are completed and all documents delivered. Except as otherwise indicated, all of the instruments listed below shall be dated, at closing, the closing date.

B. Participants and Roles

Lea County, New Mexico, acting through its Board of County Commissioners:	Conduit Issuer of the Bond
Louisiana Energy Services, L.P. (the "Company"):	Conduit borrower
Urenco Investments, Inc.:	General Partner of the Company
Westinghouse Enrichment Company LLC:	General Partner of the Company
Bank of Albuquerque, N.A.:	Trust Depository
NEF Series 2004, LLC (the "Purchaser"):	Purchaser of the Bond
Rodey, Dickason, Sloan, Akin & Robb, P.A.:	Bond Counsel and Special Counsel to the Company and Purchaser
Larry Hanna, Esq.:	Issuer's Counsel
Modrall, Sperling, Roehl, Harris & Sisk, P.A.:	Issuer's Bond Counsel

John W. Lawrence, Esq.:

Counsel to the Company and the Purchaser

E. James Ferland:

President and Chief Executive Officer to the
Company
Manager and President and Chief Executive
Officer to the Purchaser

C. Transcript Copies

Counterparts of the transcript will be prepared for distribution as follows:

Lea County: 1

Louisiana Energy Services, L.P.: 2

NEF Series 2004, LLC: 1

Bank of Albuquerque, N.A.: 1

Rodey, Dickason, Sloan, Akin & Robb, P.A.: 1

Larry Hanna: 1

Modrall, Sperling, Roehl, Harris & Sisk, P.A.: 1

Total copies: 8

D. Deliveries to be made at Closing

Basic Documents

1. Lease and Purchase Agreement.
2. Indenture.
3. Bond Purchase Agreement.
4. Depository Fee Agreement

Documents to be delivered by Lea County

5. Executed Bond No. R-1.
6. Issuer Certificate.

Documents to be delivered by Louisiana Energy Services, L.P.

7. Assignment.

8. Bill of Sale.
9. Company Certificate.

Documents to be delivered by NEF Series 2004, LLC

10. Purchaser Certificate.

Documents to be delivered by Bank of Albuquerque, N.A.

11. Depository Certificate.

Documents to be delivered by Modrall, Sperling, Roehl, Harris & Sisk, P.A.:

12. Opinion of Counsel to the Issuer
13. Invoice for Legal Services

Documents to be delivered by Rodey, Dickason, Sloan, Akin & Robb, P.A.

14. Opinion of Bond Counsel.
15. Opinion of Counsel to the Company and the Purchaser.

15

ROBERT M. ST. JOHN
JOSEPH J. MULLINS
MARK K. ADAMS
BRUCE HALL
JOHN P. SALAZAR
JOHN P. BURTON
EX D. THROCKMORTON
ONATHAN W. HEWES
RICHARD C. MINZNER
W. ROBERT LASATER, JR.
MARK C. MEIERING
CATHERINE T. GOLDBERG
TRAVIS R. COLLIER
EDWARD RICCO
W. MARK MOWERY
PATRICK M. SHAY
NANCY J. APPELEY
ELLEN T. SKRAK
TRACY M. JENKS
HENRY M. BOHNIHOFF
CHARLES K. PURCELL
ANDREW G. SCHULTZ
JOHN M. BRANT
SCOTT D. GORDON
DEWITT M. MORGAN
MARK A. SMITH
R. NELSON FRANSE
THERESA W. PARRISH
PAUL R. KOLLER
JAMES P. BIEG
CHARLES J. VIGIL
THOMAS L. STAHL
DAVID W. BUNTING
LESLIE MCCARTHY APODACA

SUSAN BARGER FOX
MACDONNELL GORDON
WILLIAM J. ARLAND
JAMES A. ASKEW
JEFFREY M. CROASDELL
SUNNY J. NIXON
JEFFREY L. LOWRY
DEBORAH E. MANN
R. TRACY SPROULS
DONALD B. MONNHEIMER
ALAN HALL
BRIAN H. LEMATTA
JULIE P. NEERKEN
THOMAS A. OUTLER
SETH L. SPARKS
NELSE T. SCHRECK
KARLA K. POE
LISA A. CHAVEZ
JOCELYN C. DRENNAN
MICHAEL J. BRESCIA
MICHELLE HENRIE
DEBORAH S. GILLE
AARON C. VIETS
KIMBERLY N. BELL
KURT B. GILBERT
BRENDA M. MALONEY
MATTHEW S. WERMAGER
LARRY J. MONTAÑO
WILLIAM F. STEADMAN
WILLIAM G. GILCHRIST
KIMBERLY A. DENNIS
CHRISTOPHER M. WOLPERT
MEGHAN D. STANFORD

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January 22, 2004

**Lea County
Lea County Courthouse
100 North Main Street
Lovington, NM 88260**

**Louisiana Energy Services, L.P.
One Sun Plaza
100 Sun Lane, Suite 204
Albuquerque, NM 87109**

**NEF Series 2004, LLC
One Sun Plaza
100 Sun Lane, Suite 204
Albuquerque, NM 87109**

**Bank of Albuquerque, National Association
201 Third Street NW
Albuquerque, New Mexico 87103**

**Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility
Project) Series 2004, in the maximum principal amount of \$1,800,000,000**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

The Bond will bear interest on the outstanding principal amount at 5% per annum, will be dated January 22, 2004 (the "Issue Date") and will mature on January 22, 2034 (the "Maturity Date"). Interest on the Bond is payable on each anniversary of the Issue Date, beginning on

Lea County
Louisiana Energy Services, L.P.
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January 22, 2005, until and including the Maturity Date. The entire principal amount of the Bond will be payable in one payment on the Maturity Date.

The Bond is subject to redemption prior to maturity as described in the Indenture dated the date hereof (the "Indenture") among the Issuer, NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), and Bank of Albuquerque, National Association, Albuquerque, New Mexico, as Depository (the "Depository").

The principal of, interest on and redemption price of the Bond are not general obligations of the Issuer but special limited obligations payable by the Issuer solely from certain revenues pledged under the Indenture.

Neither the faith and credit nor the taxing power of the State of New Mexico or of any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness of the Issuer within the meaning of any provision or limitation of the constitution or laws of the State of New Mexico. The Bond will never constitute nor give rise to a pecuniary liability of the State of New Mexico or any of its political subdivisions, including the Issuer, or a charge against their general credit or taxing powers.

In connection with the issuance of the Bond we have examined: (a) a certified copy of Bond Ordinance No. 58 adopted December 16, 2003 by the governing body of the Issuer, authorizing the issuance of the Bond (together, the "Bond Ordinance"), pursuant to and under the provisions of Chapter 4, Article 59 New Mexico Statutes Annotated, 1978 Compilation, as amended (together with the Bond Ordinance, the "Act"); (b) the executed Bond; (c) executed counterparts of the Indenture, the Lease and Purchase Agreement dated the date hereof (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company") and the Bond Purchase Agreement dated the date hereof among the Issuer, the Company, and the Purchaser (the "Bond Purchase Agreement" and, together with the Indenture and the Lease, the "Bond Documents"); and (d) such other opinions, documents, certificates and letters as we deem relevant in rendering this opinion.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Issuer and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Issuer, and is enforceable against each such party in accordance with its terms; and

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B. that the execution, delivery and performance of the Bond Documents by any party will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require approval or consent under New Mexico and federal law and applicable regulations, any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject.

Based on such examination and the assumptions, and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Issuer is a governmental subdivision of the State of New Mexico and has the power and authority, under the constitution and laws of the State of New Mexico, including the Act, to execute and deliver the Bond Documents, and to authorize, execute, issue and deliver the Bond.
2. The terms and provisions of the Bond and the Bond Documents comply in all respects with the requirements of the Act.
3. The Bond has been validly authorized, executed and issued in accordance with the laws of New Mexico and represents the valid and binding special limited obligation of the Issuer.
4. The Bond Documents have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents and the Bond constitute legal, valid and binding special limited obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.
5. Neither the Bond nor the Lease is required to be registered under any New Mexico or federal securities law. The Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.
6. The provisions of Rule 15c2-12 of the Securities and Exchange Commission are not applicable to this transaction inasmuch as the Bond is being sold in a private sale without participation of an underwriter.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

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- (i) The collateral pledged and in which a security interest is granted under the Indenture is personal property and does not constitute any goods that are or may become fixtures pursuant to Section 55-9-334 NMSA 1978, as amended;
- (ii) Section 42A-1-24(C) NMSA 1978 (2001 Supp.) provides that a court which has heard and adjudicated a condemnation proceeding has the power over the condemnee's compensation to "make orders as the court deems necessary with respect to encumbrances, liens, rents, insurance and other just and equitable charges";
- (iii) We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security interests in, any real or personal property constituting the Project Property (as defined in the Lease); and
- (iv) We express no opinion as to the enforceability of any provisions of the Bond Documents purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct.
- (v) We express no opinion as to the validity or enforceability of any severability clause or the availability of any injunctive relief or other equitable remedies, all of which are subject to the court's discretion.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof solely for use in connection with the issuance of the Bond to the Purchaser. This letter and the opinions expressed herein may not be used or relied upon by the addressees hereof for any other purpose and may not be relied upon for any purpose by any person or entity other than the addressees hereof. Except for the use permitted herein and except in connection with the preparation and customary distribution of the transcript of proceedings relating to the issuance of the Bond, this letter is not to be quoted or reproduced in whole or in part or otherwise referred to in any manner, nor is it to be filed with any governmental agency or delivered to any other person without our prior written consent. We assume no responsibility to notify the addressees hereof of any subsequent changes in the law or of any circumstance or event which may occur after the date hereof that affect or could possibly affect the opinions expressed herein or to otherwise supplement such opinions to reflect any such changes in the law or the occurrence of any circumstances or event after the date hereof.

Very truly yours,

Rodey, Dickason, Sloan, Akin & Robb, P.A.

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January 22, 2004

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One Sun Plaza
100 Sun Lane, Suite 204
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NEF Series 2004, LLC
One Sun Plaza
100 Sun Lane, Suite 204
Albuquerque, NM 87109

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

This firm has acted as special counsel to Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), and NEF Series 2004, LLC, a Delaware limited liability company (the "Purchaser"), in connection with the Lease and Purchase Agreement dated the date hereof (the "Lease") between Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer") and the Company and the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") among the Purchaser, the Issuer and the Company, pursuant to which the Purchaser has agreed to purchase the Issuer's Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond"), to be issued under the Indenture dated the date hereof (the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A., Albuquerque, New Mexico, as Depository.

We are rendering this opinion pursuant to Section 7(e)(ii) of the Bond Purchase Agreement. In that connection we have reviewed the following and have made no other inquiry

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Louisiana Energy Services, L.P.
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or investigation: (1) executed copies of the Lease, the Bond Purchase Agreement and the Indenture (collectively, the "Bond Documents"); (2) the Company Certificate together with all exhibits thereto executed by the Secretary of the Company as to various organizational matters and specific authorizations in regard to the transactions contemplated under the Bond Documents and the Purchaser Certificate together with all exhibits thereto executed by the Secretary of the Purchaser with respect to certain organizational matters, as well as authorizations required in connection with the purchase of the Bond; and (3) certificates issued by public officials as follows:

- (a) Certified copies of the Amended and Restated Certificate of Limited Partnership of the Company filed January 16, 2004 with the Secretary of State of the State of Delaware ("Delaware Secretary of State"),
- (b) Certificate dated January 16, 2004, issued by the Delaware Secretary of State, confirming that the Company is in good standing and legally existing under the laws of Delaware,
- (c) Certified copies of the Statement of Registration as a Foreign Limited Partnership filed November 14, 2003 and the New Mexico Amendment of Registration as a Foreign Limited Partnership filed January 20, 2004 with the Secretary of State of the State of New Mexico (the "New Mexico Secretary of State"),
- (d) Certificate dated January 22, 2004, issued by the New Mexico Secretary of State, confirming that the Company is registered with the New Mexico Secretary of State,
- (e) Certified copies of the Certificate of Formation of the Purchaser filed January 8, 2004 with the Delaware Secretary of State,
- (f) Certificate dated January 12, 2004, issued by the Delaware Secretary of State, confirming that the Purchaser is in good standing and legally existing under the laws of the State of Delaware,
- (g) Certified copy of the Application for Registration of the Purchaser filed January 21, 2004 with the Public Regulation Commission of the State of New Mexico (the "PRC"), and
- (h) Certificate of Good Standing and Compliance dated January 22, 2004, issued by the PRC, confirming that the Purchaser is registered and in good standing under the laws of the State of New Mexico;

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(4) that Amended and Restated Agreement of Limited Partnership of the Company dated as of December 11, 2003 as certified by its Secretary; and (5) that Operating Agreement of the Purchaser dated as of January 22, 2004 as certified by its Secretary.

Capitalized terms used herein and not otherwise defined in this Opinion shall have the meanings ascribed to them in the Bond Documents. As used herein, the term "knowledge" means the current actual personal conscious awareness of facts and other information by the lawyers in the undersigned law firm actively involved in preparing this opinion letter, but does not include constructive knowledge or inquiry knowledge. The qualification of any statement in this letter with respect to the existence or absence of facts "to our knowledge" means that, during the course of our representation, no information has come to the attention of any lawyer in the undersigned law firm actively involved in preparing this opinion letter which would give us actual knowledge of the existence or absence of such facts. However, we have not undertaken any investigation to determine the existence or absence of such facts, and no inference as to our knowledge thereof shall be drawn from the fact of our representation of any party or otherwise.

For purposes of the opinions set forth below, we have assumed with your permission:

A. that each of the Bond Documents and each other document and instrument relating to the Bond has been duly authorized, executed and delivered by each party thereto other than the Company and the Purchaser and each Bond Document is the legal, valid and binding obligation of each party thereto other than the Company and the Purchaser, and is enforceable against each such party in accordance with its terms;

B. that the execution, delivery and performance of the Bond Documents by any party (other than the Company and the Purchaser) will not violate or be in conflict with, or result in the violation of any of the terms, conditions, or provisions of, or constitute default, or require consent under any agreements or other documents or instruments or any judgment, decrees or other orders to which such party is a party or to which any such party may be subject;

C. that each of the persons who has executed, sworn to, acknowledged, delivered and/or accepted delivery on behalf of each of the parties to the Bond Documents is legally competent and has sufficient legal capacity to execute, deliver and perform the transactions contemplated by the Bond Documents;

D. that the conduct of the parties to the Bond Documents has complied with all applicable requirements of good faith, fair dealing and conscionability; and that there has not been any mutual mistake of fact or misunderstanding, fraud, duress or undue influence; and

E. that the Company will obtain all licensing, regulatory and other approvals required in the future under New Mexico and federal law in connection with the construction,

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Louisiana Energy Services, L.P.
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operation and decommissioning of the Project, and will take all actions required, relevant to the subsequent consummation of the transactions contemplated by the Bond Documents.

Based on the assumptions and subject to the qualifications set forth in this letter, we are of the opinion that:

1. The Company is a limited partnership duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico, as a foreign limited partnership, and has duly authorized the execution, delivery and performance of the Lease and the Bond Purchase Agreement (collectively, the "Company Documents"). The Company Documents have been duly executed by the Company.
2. The Purchaser is a limited liability company, duly organized and validly existing under the laws of the State of Delaware, is registered to conduct business in the State of New Mexico as a foreign limited liability company, and has duly authorized the execution, delivery and performance of the Bond Purchase Agreement and the Indenture (collectively, the "Purchaser Documents"). The Purchaser Documents have been duly executed by the Purchaser.
3. The execution, delivery and performance by the Company of the Company Documents and by the Purchaser of the Purchaser Documents will not (i) conflict with, contravene, or violate the Certificate of Limited Partnership, as amended, of the Company or the Certificate of Formation of the Purchaser or (ii) to our knowledge, conflict with, contravene, violate or constitute a material breach of, or default under, any law, rule, regulation, ordinance, order, consent, decree, agreement or instrument to which the Company or the Purchaser is a party or by which the properties of either the Company or the Purchaser, respectively, are bound.
4. Excluding the licensing, regulatory and other approvals required under New Mexico and federal law, with respect to the construction, operation and decommissioning of the Project, to our knowledge, all approvals, permits, licenses, consents, authorizations, certifications and other orders of any governmental authority or agency necessary for the execution and delivery by the Company of the Company Documents and the execution and delivery by the Purchaser of the Purchaser Documents have been obtained and are in full force and effect.
5. There is no action, suit, proceeding, inquiry or investigation before or in the Lea County District Court and federal district court for the District of New Mexico, or by or before any public board or body in the State of New Mexico pending or, to our knowledge, threatened against the Company or the Purchaser which (i) seeks

Lea County
Louisiana Energy Services, L.P.
NEF Series 2004, LLC
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to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own or operate any of the Project or the Project Property, or (iv) could result in an unfavorable decision, ruling or finding that could materially adversely affect the financial condition or operations of the Company or the Purchaser or could materially adversely affect the transactions contemplated by the Bond Documents or the validity of the Bond. However, we note that the NRC has commenced an investigation involving submission of the Company's license application as described in Schedule I attached hereto.

6. The Company Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, general principles of equity, and the exercise of judicial discretion.
7. The Purchaser Documents constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, general principles of equity, and the exercise of judicial discretion.

Each of the opinions expressed above is subject to the following further qualifications, whether or not such opinions refer to such qualifications:

- (a) We are admitted to practice law in the State of New Mexico, and we express no opinion herein with respect to the application or effect of the laws of any jurisdiction other than the existing laws of the State of New Mexico;
- (b) We express no opinion as to any title matters, liens or priority of liens on, or as to the creation of security interests or the perfection or priority of such security interests in, any real or personal property constituting the Project Property (as defined in the Lease);
- (c) We express no opinion as to the enforceability of any provisions of the Company Documents or the Purchaser Documents purporting to exculpate, indemnify or limit the liability of any person or entity against its own negligence, failure to act or misconduct;
- (d) We express no opinion as to the validity or enforceability of any severability clause or the availability of injunctive relief or any other equitable remedies, all of which are subject to the court's discretion; and

Lea County
Louisiana Energy Services, L.P.
NEF Series 2004, LLC
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Page 6

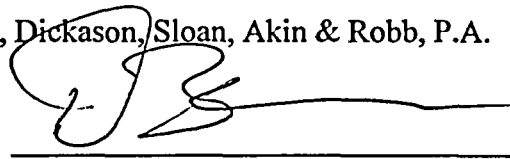
- (e) Certain remedies, waivers and provisions of the Company Documents and the Purchaser Documents may not be enforceable; nevertheless, subject to the assumptions and qualifications expressed in this opinion letter, such unenforceability will not render the Company Documents and the Purchaser Documents invalid as a whole.

This opinion is limited to the matters expressly stated herein and is based on the assumptions and qualifications set forth herein and no further opinion may be inferred. This opinion is delivered to the addressees hereof in connection with the Company Documents and the Purchaser Documents and the transactions contemplated thereby, and the opinions and all conclusions stated herein may not be quoted or relied upon by any person other than the addressees hereof or for any purpose other than as stated herein without our prior written consent. We make no undertaking to supplement this opinion if facts or circumstances come to our attention or changes in the law occur after the date hereof which could affect the conclusions reached in this opinion.

Very truly yours,

Rodey, Dickason, Sloan, Akin & Robb, P.A.

By:



Donald B. Monnheimer

SCHEDULE I

The Company has been advised by the NRC that it has commenced an internal investigation of a matter involving the submission by the Company of its license application before the NRC ("License Application") on December 12, 2003.

NRC regulations require that the portion of the License Application that addresses the classified information for the facility be filed separately from the rest of the License Application. When the License Application was filed, the classified information for the facility was sent to an NRC address identified in the NRC regulations. Although the Company also consulted the NRC's website, which indicated a change to the regulation (specifying a different address for submittal of classified information) would go into effect on January 1, 2004, the Company decided to use the address in the regulations in effect at that time.

About a week after the License Application was submitted to the NRC, the NRC notified the Company that the classified information had been mailed to the wrong address, and that the Company should have called the NRC to obtain the proper address. This proper address was not previously provided in any NRC documents other than as stated in the revised regulation that became effective on January 1, 2004.

As a result, the Company was advised that an NRC internal investigation is now ongoing, and even though the Company has taken appropriate corrective action, it is possible the NRC could issue a violation for sending the classified information for the facility to the wrong NRC address. In the event a violation is found to have occurred, it is the Company's position that this will not have a material adverse effect on the Company, the Project Property, the Company's ability to perform under the Bond Documents or the License Application.

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MODRALL SPERLING

L A W Y E R S

January 22, 2004

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Kenneth L. Harrigan
James M. Parker
Dennis J. Falk
Arthur D. Melendres
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Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 Third St. NW
Albuquerque, New Mexico 87103

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004, in the maximum principal amount of \$1,800,000,000

Ladies and Gentlemen:

We serve as special legal counsel to Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners (the "Issuer"), and in that capacity we have advised the Issuer regarding the issuance of its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum principal amount of \$1,800,000,000 (the "Bond").

We have been asked to render this opinion pursuant to Section 7(e)(iii) of that certain Bond Purchase Agreement dated as of the date hereof ("Bond Purchase Agreement") among the Issuer, Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser of the Bond.

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Lea County
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NEF Series 2004, LLC
Rodey, Dickason, Sloan, Akin & Robb, P.A.
January 22, 2004
Page two

We have examined such records, documents, certificates, opinions and other matters as are, in our judgment, necessary or appropriate to enable us to render the opinions expressed herein, including, without limitation, the Ordinance (defined below) and the record of proceedings taken in connection therewith. In addition, as to factual matters concerning the Issuer and the proceedings taken in connection with the Ordinance, we have relied upon the Issuer's Certificate dated the date hereof and delivered in connection with the Bond without undertaking to independently verify such factual matters.

Based upon the foregoing, it is our opinion, as of the date hereof:

1. The Issuer is a political subdivision of the State of New Mexico ("State"), duly organized and validly existing under the constitution and laws of the State, and acting through its Board of County Commissioners.
2. Ordinance No. 58, adopted December 16, 2003 (the "Ordinance") pertaining to the Bond, was duly adopted by the governing body of the Issuer in accordance with NMSA 1978 §§ 4-37-6, 4-37-7 and 4-37-9 governing the procedures for adoption of county ordinances. The Ordinance is in full force and effect and has not been amended, modified, repealed or rescinded.
3. To our knowledge, the adoption of the Ordinance by Board of County Commissioners, the governing body of the Issuer will not violate any provision of the constitution or laws of the State.

The foregoing opinions are limited to matters involving the current law of the State and the Issuer, and we do not express any opinion as to the laws of any other jurisdiction. This opinion is delivered to you solely in connection with the matters referred to in numbered paragraphs 1 through 3 above and may not be relied upon by you for any other purpose and may not be provided to or relied upon any other person.

Respectfully submitted,

Modrall, Spurling, Roehl,
Harris & Sisk, P.A.

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January 22, 2004

Lea County, New Mexico
Lea County Courthouse
Attention: Dennis Holmberg, County Manager
100 North Main Street
Lovington, New Mexico 88260

NEF Series 2004, LLC
Attention: E. James Ferland, President and CEO
100 Sun Lane, NE, Suite 204
Albuquerque, New Mexico 87109

Re: Lea County New Mexico Industrial Revenue Bond
(National Enrichment Facility Project) Series 2004, in the maximum
principal amount of \$1,800,000,000 ("Bond")

Gentlemen:

I am writing as General Counsel and Secretary for Louisiana Energy Services, L.P. ("LES") pursuant to Section 4.12(c) of that Lease and Purchase Agreement ("Lease") dated the date hereof between Lea County, New Mexico ("County") and LES, to advise the County and NEF Series 2004, LLC ("NEF"), as purchaser of the Bond pursuant to that Bond Purchase Agreement ("Bond Purchase Agreement") dated the date hereof between and among the County, LES and NEF, that the United States Nuclear Regulatory Commission ("NRC") has commenced an internal investigation of a matter involving the submission by LES of a license application before the NRC ("License Application") on December 12, 2003, with respect to the acquisition, construction, operation and decommissioning of a uranium enrichment facility by LES to be located in the County and financed in connection with the Bond and known as the "National Enrichment Facility Project."

NRC regulations require that the portion of the License Application that contains classified information for the facility be filed separately from the rest of the License Application. When the License Application was filed, the classified information for the facility was sent to an NRC address identified in the NRC regulations. Although LES also consulted the NRC's website, which indicated a change to the regulation (specifying a different address for submittal of classified information) would go into effect on January 1, 2004, LES decided to use the address in the regulations in effect at that time.

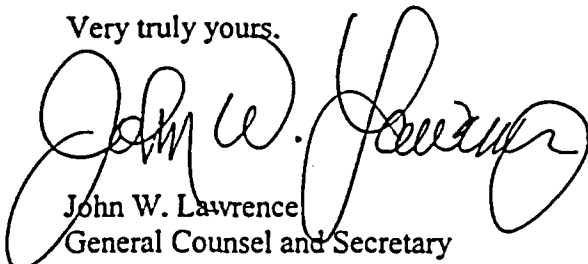
About a week after the License Application was submitted to the NRC, the NRC notified LES that the classified information had been mailed to the wrong address, and that LES should have called the NRC to obtain the proper address. This proper address was not previously provided in any NRC documents other than as stated in the revised regulation that became effective on January 1, 2004.

As a result, LES was advised that an NRC internal investigation is now ongoing, and even though LES has taken appropriate corrective action, it is possible the NRC could issue a violation for sending the classified information for the facility to the wrong NRC address. In the event a violation is found to have occurred, it is the LES position that this will not have a material adverse effect on LES, the National Enrichment Facility Project, the Bond and any documents entered into by the County, LES or NEF related to the Bond, or the License Application.

Once the NRC completes its internal investigation, LES will advise the County and NEF of the agency's findings and conclusions, to the extent such information may be made public.

If you have any questions please do not hesitate to contact me at 505-944-0194 or 202-222-0391.

Very truly yours,



John W. Lawrence
General Counsel and Secretary
Louisiana Energy Services, L.P.

cc: Rodey Law Firm
Attention: Donald B. Monnheimer
210 Third Street, NW, Suite 2200
Albuquerque, NM 87102

Modrall Law Firm
Attention: Duane Brown and Peter Franklin
500 Fourth Street, NW, Suite 1000
Albuquerque, NM 87102

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ROBERT M. ST. JOHN
JOSEPH J. MULLINS
MARK K. ADAMS
BRUCE HALL
JOHN P. SALAZAR
JOHN P. BURTON
REX D. THROCKMORTON
JONATHAN W. HEWES
RICHARD C. MINZNER
W. ROBERT LASATER, JR.
MARK C. MEERING
CATHERINE T. GOLDBERG
TRAVIS R. COLLIER
EDWARD RICCO
W. MARK MOWERY
PATRICK M. SHAY
NANCY J. APPELBY
ELLEN T. SKRAK
TRACY M. JENKS
HENRY M. BOHNSHOFF
CHARLES K. PURCELL
ANDREW G. SCHULTZ
JOHN M. BRANT
SCOTT D. GORDON
DEWITT M. MORGAN
MARK A. SMITH
R. NELSON FRANSE
THERESA W. PARRISH
PAUL R. KOLLER
JAMES P. BIGG
CHARLES J. VIGIL
THOMAS L. STAHL
DAVID W. BUNTING
LESLIE MCCARTHY APODACA

SUSAN BARGER FOX
MACDONNELL GORDON
WILLIAM J. ARLAND
JAMES A. ASKEW
JEFFREY M. CROASDELL
SUNNY J. NIXON
JEFFREY L. LOWRY
DEBORAH E. MANN
R. TRACY SPROULS
DONALD B. MONNHMEIER
ALAN HALL
BRIAN M. LEMATTA
JULIE P. NEERKEN
THOMAS A. OUTLER
SETH L. SPARKS
NELSE T. SCHRECK
KARLA K. POE
LISA A. CHAVEZ
JOCELYN C. DRENNAN
MICHELLE HENRIE
DEBORAH S. GILLE
AARON C. VIETS
KIMBERLY N. BELL
KURT B. GILBERT
BRENDA M. MALONEY
MATTHEW S. WERMAGER
LARRY J. MONTAÑO
WILLIAM F. STEADMAN
WILLIAM G. GILCHRIST
KIMBERLY A. DENNIS
CHRISTOPHER M. WOLPERT
MEGHAN D. STANFORD

RODEY, DICKASON, SLOAN, AKIN & ROE P. A.

ATTORNEYS AT LAW
201 THIRD STREET NW, SUITE 2200
ALBUQUERQUE, NEW MEXICO 87102

P.O. BOX 1888
ALBUQUERQUE, NEW MEXICO 87103
WWW.RODEY.COM

TELEPHONE (505) 765-5900
FACSIMILE (505) 768-7395

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JOHN D. ROBB
JAMES C. RITCHIE
JO SEXTON BRAYER
ROBERT G. MCCORKLE
DAVID H. JOHNSON

BERNARD S. RODEY (1856-1927)
PEARCE C. RODEY (1889-1958)
DON L. DICKASON (1906-1993)
WILLIAM A. SLOAN (1910-1993)

OFFICES ALSO IN
SANTA FE AND WASHINGTON D.C.

WRITER'S DIRECT NUMBER
(505) 765-7556

DBM@RODEY.COM

January 21, 2004

ESCROW INSTRUCTION LETTER

David Pyeatt
Elliott & Waldron Title & Abstract Co., Inc.
1819 N. Turner, Suite B
Hobbs, NM 88240

Re: Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 ("IRB Transaction")

Dear Mr. Pyeatt:

You have agreed to act as the closing and escrow agent ("Agent") in connection with the above-referenced IRB Transaction. This letter will serve as your instructions.

I. Delivery of Documents

Under cover of this letter, Louisiana Energy Services, L.P. ("LES") and Lea County, New Mexico (the "Issuer") deliver to you the following original fully executed documents pertinent to the above-referenced IRB Transaction:

1. Grant of Easement and Right of Way (the "Easement"), bearing the hand written notation "R/W No. RW 28583" in the upper right hand corner and the stamp "RECEIVED 2003 AUG 22 PM 3:48 STATE LAND OFFICE, SANTA FE, N.M.," reflecting the Easement's placement of record in the State Land Office (one original);
2. Agreement Regarding Land Use Restriction or Condition (the "LURC"), bearing the hand written notation "LURC #3" in the upper right hand corner and the stamp "RECEIVED 2004 JAN 20 PM 3:22 STATE LAND OFFICE, SANTA FE, N.M.," reflecting the LURC's placement of record in the State Land Office (one original);

David Pyeatt
January 21, 2004
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3. Assignment (two originals);
 4. Lease and Purchase Agreement (the "Lease") (two originals); and
 5. Indenture (one original).
- II. At the time of Closing as set forth in paragraph III below, please record and/or file the documents identified below, in the sequence prescribed in the numbered paragraphs, and in accord with the instructions, which follow.

1. Record the following documents in the real property records of Lea County, New Mexico, in the order here listed:
 - a. Easement
 - b. LURC
2. Once the Easement and LURC have been recorded, please complete blanks in each of the fully executed duplicate original forms of Assignment, with the appropriate recording information for the Easement (where indicated) and the LURC (where indicated). Record one original fully executed original Assignment in the real property records of Lea County, New Mexico.
3. After recordation of the Easement, LURC, and one of the duplicate original forms of Assignment, complete the blanks on page 33 of the Lease , and record the following documents in the real property records of Lea County, New Mexico, in the order here listed:
 - a. Lease (record only one of the two originals)
 - b. Indenture
4. Once the recordings in the real property records of Lea County are complete, present the following document to the New Mexico State Land Office, to be there placed of record:

The Assignment (present to the State Land Office, for filing and retention as part of its records, the duplicate original form which was not recorded in the real property records of Lea County; present the file-stamped original which was recorded in the real property records of Lea County, to the State Land Office, to be conformed, to reflect the filing information relating to the duplicate original on file in the State Land Office).

III. Recording/Filing

The recording and filing provided for above shall not occur until such time as (i) you are fully committed to issue policies of title insurance in the forms described in paragraph IV

David Pyeatt
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hereof and (ii) receive oral confirmation from Rodey, Dickason, Sloan Akin & Robb, P.A. ("Rodey") to proceed with the recording and filing. If you are not committed to the issuance of policies of title insurance conforming to the specifications in paragraph IV below or if you fail to receive oral confirmation from Rodey in accordance with the foregoing provisions of clause II, then you are not authorized to, and you may not, record or file any documents under the terms of this letter.

IV. Title Insurance Policies

In connection with the Easement, Assignment and Lease, policies are to be issued in accord with the directions below.

- a. LES is to receive an owner's policy of title insurance on NM Form 1, insuring the interest of LES under the Easement, and reflecting the deletion from Schedule B of exceptions 1 through 6 and all of 7, except those portions thereof pertaining to "water rights, claims or title to water" (which cannot be deleted), and including the following endorsements: NM Form 51 (Land Abuts Street Endorsement); NM Form 53 (Same as Survey Endorsement); NM Form 55 (Named Insured Endorsement); and NM Form 56 (Restrictions, Encroachments, and Minerals Endorsement for Unimproved Land). The policy to be delivered is to conform to the following, issued by First American Title Insurance Company through its agent Elliott & Waldron Title & Abstract Co., Inc.: Commitment for Title Insurance numbered 04-041, effective as of January 6, 2004; and Pro Forma owner's policy of title insurance dated as of January 21, 2004, covering the interest of LES under the easement.
- b. The Issuer is to receive an owner's policy of title insurance on NM Form 1, insuring the interest of the County under the Assignment, and reflecting the deletion from Schedule B of exceptions 1 through 6 and so much of 7 as does not pertain to "water rights, claims or title to water" (which cannot be deleted), and including the following endorsements: NM Form 51 (Land Abuts Street Endorsement); NM Form 53 (Same as Survey Endorsement); NM Form 55 (Named Insured Endorsement); and NM Form 56 (Restrictions, Encroachments, and Minerals Endorsement for Unimproved Land). The policy to be delivered is to conform to the following, issued by First American Title Insurance Company through its agent Elliott & Waldron Title & Abstract Co., Inc.: Pro Forma owner's policy of title insurance dated January 21, 2004, covering the interest of the Issuer under the Assignment.
- c. LES is to receive an owner's policy on NM Form 1, together with a Leasehold Owner's Endorsement on NM Form 20, insuring its interest under the Lease, and reflecting the deletion from Schedule B of exceptions 1 through 6 and so much of 7 as does not pertain to "water rights, claims or title to water," and including the following additional endorsements: NM Form 51 (Land Abuts Street Endorsement); NM Form 53 (Same as Survey Endorsement); NM Form 55

David Pyeatt
January 21, 2004
Page 4

(Named Insured Endorsement); NM Form 56 (Restrictions, Encroachments, and Minerals Endorsement for Unimproved Land). The policy to be delivered is to conform to the following, issued by First American Title Insurance Company through its agent Elliott & Waldron Title & Abstract Co., Inc.: Pro Forma owner's policy of title insurance dated January 21, 2004, covering the interest of the LES under the Lease.

V. Delivery of Recorded Documents

The following original instruments recorded by, and returned to, you as Agent shall be delivered to this office in care of Donald B. Monnheimer, Esq., at 201 Third Street, NW, Suite 2200, Albuquerque, NM 87102, for LES: Easement; LURC; Assignment (original Assignment recorded in the real property records of Lea County conformed or file-stamped to reflect filing information relating to a duplicate original on file in the State Land Office); Lease (original Lease recorded in the real property records of Lea County conformed or file-stamped to reflect filing information relating to a duplicate original on file in the State Land Office); and Indenture.

VI. Supplemental Instructions

Please forward you invoice detailing all fees and costs related to the filing and recording to my attention.

Should you acquire additional information or supplemental instructions regarding these matters, these instructions may be amended or modified by the joint action of LES and the Issuer.

VII. Failure to Close

If you are unable to close the IRB Transaction in accord with these instructions, you shall redeliver each of the documents delivered to you to my attention.

Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

BY: 

Donald B. Monnheimer
Catherine T. Goldberg
Counsel to LES

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Form No. 1402.92
(10/17/92)
ALTA Owner's Policy



POLICY OF TITLE INSURANCE



ISSUED BY

First American Title Insurance Company

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.



Elliott & Waldron Title & Abstract Co., Inc.
1819 N. Turner, Suite B
Hobbs, NM 88240
(505) 393-7706
(505) 393-7725 Fax

Agent for:

First American Title Insurance Company

First American Title Insurance Company

BY

Gary L. Keruett

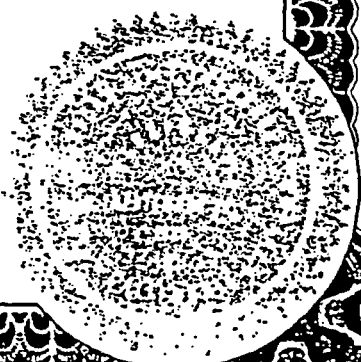
PRESIDENT

ATTEST

Mark A. Arnesen

SECRETARY

J 1800767



EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the Insured claimant and not disclosed in writing to the Company by the Insured claimant prior to the date the Insured claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the Insured claimant had paid value for the estate or interest Insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest Insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest Insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest Insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

(a) "Insured": the Insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named Insured, those who succeed to the interest of the named Insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "Insured claimant": an Insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an Insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "Land": the land described or referred to in Schedule (A), and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule (A), nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is Insured by this policy.

(e) "Mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(f) "Public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "Unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured only so long as the Insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of covenants of warranty made by the Insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in

by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Insured claimant to provide the required proof of loss or damage, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the Insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the Insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

8. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the Insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the Insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than

for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as Insured.

(c) The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the Insurance pro tanto.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the Amount of Insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is hereafter executed by an Insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the Insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the Insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the Insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the Insured claimant shall transfer to the Company all rights

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of such counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, settle, or continue any litigation, with regard to the matter requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien

pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the Amount of Insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or (ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule (A)(C) consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the Amount of Insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its

Whenver the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against non-Insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at 1 First American Way, Santa Ana, California 92707, or to the office

First American Title Insurance Company
OWNER POLICY OF TITLE INSURANCE
Schedule A

GF No. or File No. : 04-041B
Date of Policy : 1-22-04 @ 11:46 A.M.
Amount of Insurance : \$ 68,300.00
Policy Number : J1800767<THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE
PREPRINTED NUMBER ON THE COVER SHEET.

1. Name of Insured *:

LEA COUNTY, a political subdivision of the State of New Mexico

2. The estate or interest in the land described herein and which is covered by this policy is: (a fee, a leasehold, etc.)

EASEMENT

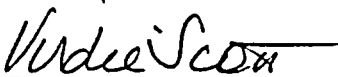
3. Title to the estate of interest in the land is vested in:

LEA COUNTY, NEW MEXICO, as evidenced by that certain Easement filed 8-22-03, Under File No. RW28583, New Mexico State Land Office, and in Book 1279, Page 388, Lea County Records, Lea County, New Mexico. Executed by New Mexico Commissioner of Public Lands to Louisiana Energy Services, L.P., a Delaware Limited Partnership, as assigned by way of that certain Assignment dated 1-20-04, filed 1-23-04, Under Miscellaneous Instrument File No. 1125, New Mexico State Land Office, in Book 1279, Page 413, Lea County Records, Lea County, New Mexico. Executed by Louisiana Energy Services, L.P., a Delaware Limited Partnership to Lea County, a political subdivision of the State of New Mexico.

4. The land referred to in this policy is described as follows:
FOR SURFACE TITLE ONLY:

SEE ATTACHED EXHIBIT "A" FOR LEGAL DESCRIPTION

Countersigned by



Authorized Officer or Agent

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.
In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
Schedule B

3F or File No. : 04-041B

Date of Policy : 1-22-04 @ 11:46 A.M.

Policy Number : J1800767<THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE PREPRINTED NUMBER ON THE COVER SHEET.

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- ~~1. Rights or claims of parties in possession not shown by the public record.~~
- ~~2. Easements or claims of easements not shown by the public record.~~
- ~~3. Encroachments, overlaps, conflicts in boundary lines, shortages in area or other matters which would be disclosed by an accurate survey and inspection of the premises.~~
- ~~4. Any lien, claim or right to a lien, for services, labor or materials heretofore or hereafter furnished, imposed by law and not shown by the public records.~~
- ~~5. Community property, survivorship, or homestead rights if any, of any spouse of the insured.~~
- ~~6. Any titles or rights asserted by anyone including, but not limited to, persons, corporations, governments, or other entities, to lands comprising the shores or bottoms of navigable streams, lakes or land beyond the line of harbor or bulkhead lines established or changed by the United States Government.~~
- ~~7. Unpatented mining claims, reservations or exceptions in patents or in acts authorizing the issuance thereof, water rights, claims or title to water.~~
8. Taxes or assessments which are not shown as existing liens by the public record.
9. Taxes for the year 2004 and thereafter, not yet due and payable.
10. Reservations, conditions and stipulations as contained in Patent appearing of record in the New Mexico State Land Office under Patent No. 1202902.
11. Title to all the oil, gas, minerals and mineral substances within and underlying the premises, together with the drilling rights thereto belonging.
12. Oil and Gas Lease filed with the New Mexico State Land Office and labeled B-4467 dated 6-10-35, executed by and between The State of New Mexico and Gypsy Oil Company, assigned to Gulf Oil Corporation in Assignment filed with the New Mexico State Land Office 2-24-36. Gulf Oil Corporation, evidenced by those certain Articles of Merger filed with the New Mexico State Land Office, changed its name to Chevron U.S.A. Inc. Chevron U.S.A. Inc. partially assigned lease to Louisiana Energy Services, L.P., evidenced by Partial Assignment of Oil and Gas Lease filed with the New Mexico State Land Office on 8-28-03 and Partial Assignment of Oil and Gas Lease dated 8-22-03, filed 8-28-03, in Book 1249, Page 610, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1800767; GF NO. 04-041B
Schedule B - PAGE 2

13. Pipeline Easement (unrecorded) as evidenced by that certain Conveyance, Assignment and Bill of Sale dated 12-24-90, effective 12-31-90, filed 1-2-91, in Book 536, Page 273, Miscellaneous Records, Lea County, New Mexico, executed by Enron Corp. fka Northern Natural Gas Company to Northern Natural Gas Company. RE: Pipeline Easement (NMG 203-18).
14. Right of Way filed in the New Mexico State Land Office as Permit No. RW22760, executed by Commissioner of Public Lands State of New Mexico, to Big Three Industries, Inc. As assigned in that certain Assignment of Right of Way and Easement approved and filed with the New Mexico State Land Office October 14, 1986 and executed by Big Three Industries, Inc. to Big Three Carbon Dioxide Company. Big Three Carbon Dioxide Company changed its name to Air Liquide America Corporation as indicated in Miscellaneous Instrument #8970 filed with the New Mexico State Land Office. Said Right of Way assigned by Air Liquide America Corporation to Trinity Pipeline L.P. evidenced by Assignment filed with the New Mexico State Land Office on 7-21-03. Said Right of Way is labeled Underground Pipeline as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, Survey Records, Lea County, New Mexico, and as additionally shown and labeled as Permit for Right-of-way-Air Liquide America Corporation, New Mexico State Land Office Permit No. RW22760 on Survey prepared by Pettigrew and Associates, dated 8-26-03, filed 8-26-03, in Book 1, Page 568, Survey Records, Lea County, New Mexico.
15. State of New Mexico Grazing Lease No. GR 1855 filed in the New Mexico State Land Office. Executed by the New Mexico State Land Office to Wallach Ranch, LLC. And as mentioned in those certain Probate Proceedings, Lea County Probate Court case no. 3932, filed 10-29-75, styled In The Matter of the Estate of Paul Wallach, Deceased and referenced as GR 527, by and between State of New Mexico and Paul Wallach.
16. Encroachment of the fence along the western boundary as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
17. Rights of Wallach Ranch, LLC and Wallach Concrete, Inc. set forth in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P. others in and to the road running North and South along the center line of the property as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
18. Agreements, covenants and conditions in favor of Wallach Ranch, LLC including but not limited to the first right of refusal as mentioned in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P.
19. Terms and conditions of that certain Easement No. RW28583 executed by the Commissioner of Public Lands, State of New Mexico on 8-20-03 to Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 8-22-03, as file no. RW28583, and filed in the Lea County Records on 1-22-04, as file no. 50770, in Book 1279, Page 388, and including terms conditions and reservations contained in that Assignment dated 1-20-04, filed 1-23-04, Under Miscellaneous Instrument File No. 1125, New Mexico State Land Office, in Book 1279, Page 413, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1800767; GF NO. 04-041B

20. Terms and conditions of that certain Agreement Regarding Land Use Restriction or Condition effective 8-22-03 executed by and between the Commissioner of Public Lands, State of New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 1-20-04, as file no. LURC #3, and filed in the Lea County Records on 1-22-04, as file no. 50771, in Book 1279, Page 406.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

EXHIBIT "A" TO POLICY NO. J1800767
GF NO. 04-041B
LEGAL DESCRIPTION

FOR SURFACE TITLE ONLY:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico and being more particularly described as follows:

Beginning at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 feet to the point of beginning.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

NAMED INSURED ENDORSEMENT

Attached to Policy No. J1800767

Issued by

First American Title Insurance Company



Paragraph 1(a) of Conditions and Stipulations is deleted and the following paragraph is substituted in its place:

"insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate, partnership or fiduciary successors, and specifically, without limitation, the following:

- (i) the successors in interest to a corporation, limited liability company or limited liability partnership named as an insured in Schedule A resulting from merger or consolidation or conversion or the distribution of the assets of the corporation or limited liability company or limited liability partnership upon partial or complete liquidation;
- (ii) the successors in interest to a general or limited partnership or limited liability company or limited liability partnership named as an insured in Schedule A which dissolves but does not terminate;
- (iii) the successors in interest to a general or limited partnership named as an insured in Schedule A resulting from the distribution of the assets of the general or limited partnership upon partial or complete liquidation;
- (iv) the successors in interest to a joint venture named as an insured in Schedule A resulting from the distribution of the assets of the joint venture upon partial or complete liquidation;
- (v) the trustee or successor trustee of a written trust instrument established by the insured named in Schedule A for estate planning purposes to whom the title is transferred after the policy date;
- (vi) the successor or substitute trustee(s) of a trustee named in a written trust instrument established by the insured named in Schedule A for estate planning purposes; or
- (vii) the successors in interest to a trustee or trust resulting from the distribution of all or part of the assets of the trust established by the insured named in Schedule A for estate planning purposes to the beneficiaries thereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

Dated: 1-22-2004

First American Title Insurance Company

BY Parker S. Kennedy PRESIDENT

BY Verdie Scott AUTHORIZED SIGNATORY



NM51 Land Abuts Street
ENDORSEMENT
Attached to Policy No. J1800767

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to abut upon a physically open street known as

N. M. Hwy. 234

(insert name of street).

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

...*Indie Scott*.....
Authorized Signature

NM51 (5/15/2000)
LAND ABUTS STREET ENDORSEMENT

NM53 Same as Survey

ENDORSEMENT

Attached to Policy No. J1800767

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by Pettigrew and Associates, P.A. on 8-26-2003, designated Job No. 2003.1084 a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

Vudie Scott
Authorized Signature

NM53 (5/15/2000)
SAME AS SURVEY ENDORSEMENT

RESTRICTIONS, ENCROACHMENTS, MINERALS OWNER'S POLICY; UNIMPROVED LAND

Attached to Policy No. _____

Issued by

First American Title Insurance Company



The Company insures the insured against loss or damage sustained by reason of:

1. The existence, at Date of Policy, of any of the following unless expressly excepted in Schedule B:
 - (a) Present violations on the land of any enforceable covenants, conditions or restrictions.
 - (b) Any instrument referred to in Schedule B as containing covenants, conditions or restrictions on the land which, in addition, (i) establishes an easement on the land; (ii) provides for an option to purchase, a right of first refusal or the prior approval of a future purchaser or occupant; or (iii) provides a right of reentry, possibility of reverter or right of forfeiture because of violations on the land of any enforceable covenants, conditions or restrictions.
 - (c) Any encroachment onto the land of existing improvements located on adjoining land.
 - (d) Any notices of violation of covenants, conditions and restrictions relating to environmental protection recorded or filed in the public records.
- ~~2. Damage to buildings constructed on the land after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the land for the extraction or development of minerals excepted from the description of the land or excepted in Schedule B.~~

Wherever in this endorsement the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants, conditions or limitations contained in an instrument creating a lease.

As used in paragraph 1(a), the words "covenants, conditions or restrictions" shall not be deemed to refer to or include any covenants, conditions or restrictions relating to environmental protection.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

DATED:

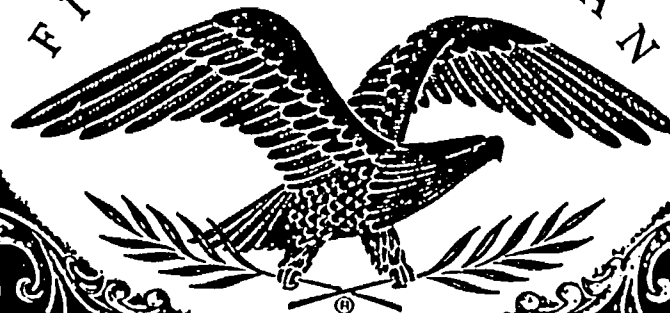
First American Title Insurance Company

BY *Parker S. Kennedy* PRESIDENT

BY *Walter Scott* AUTHORIZED SIGNATORY



FIRST AMERICAN

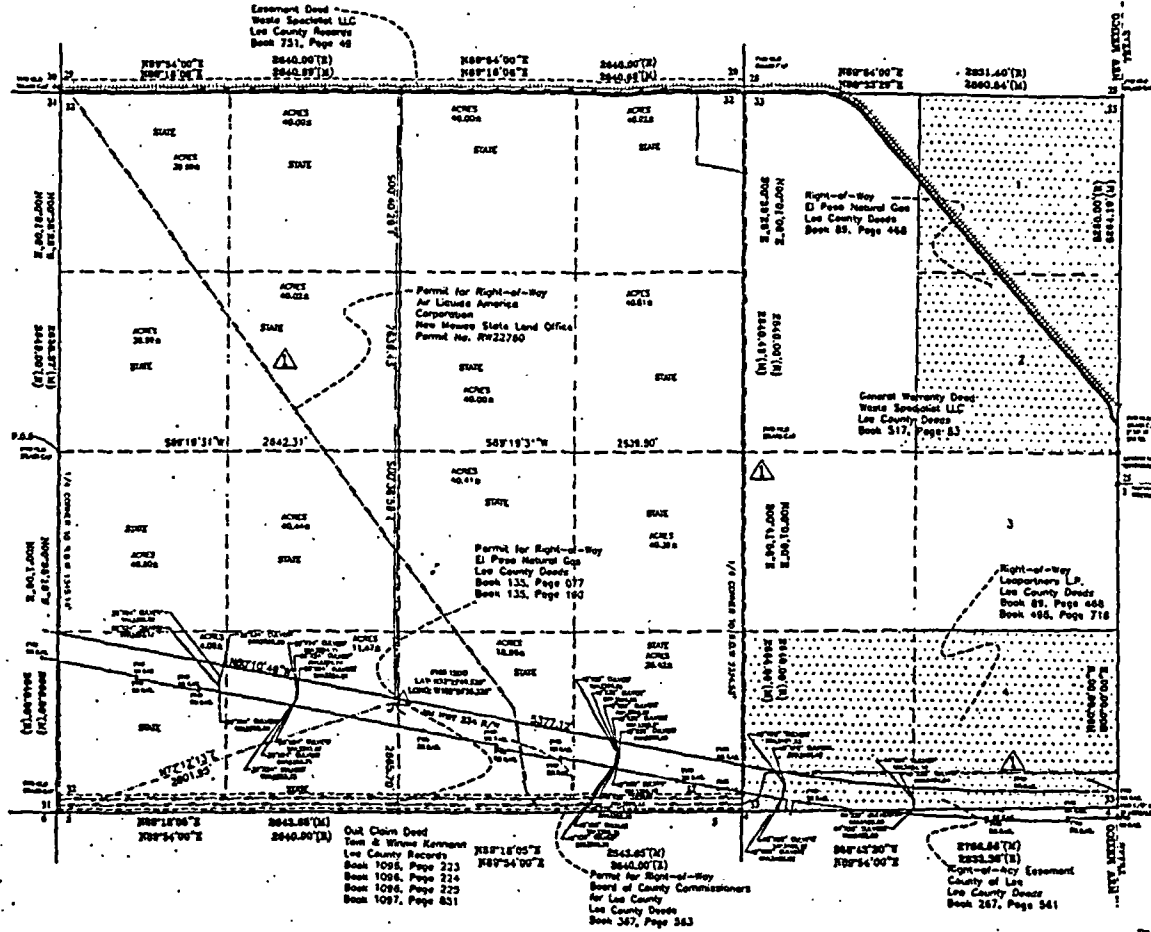


First American Title Insurance Company

**POLICY
OF
TITLE
INSURANCE**



45698



NOTE:
PIPELINES LOCATED FROM OBSERVED EVIDENCE IN THE FIELD. EXACT LOCATION HAS NOT BEEN DETERMINED.

Scale of Bearing
The Scale of Bearing for this Survey is Global Positioning System and then Differentially Corrected observations made from the U.S. Contiguous Survey Stations (1200+17) Brown. Data is measured using a thermal instrument and recorded position of 1037°25'45.5200" Latitude, 101°13'45.5200" Longitude and a height of 1228.33 feet. This is a Control Survey that is Continuously Operating Reference Station System. Bearings are referenced to the NAD83/CAD 83 datum, distances are ground.

CERTIFICATE OF SURVEY:
I, David B. Smith, New Mexico Professional Surveyor, hereby certify that the Boundary Survey Plat was prepared from actual ground survey performed by me or under my supervision, that the survey is true and correct to the best of my knowledge and belief, that the Boundary Survey Plat and the field survey were made in the presence of the witnesses named herein, and that the survey was made in accordance with the laws of the State of New Mexico. This is a Boundary Survey Plat of no standing until it is recorded.

[Signature]
David B. Smith, New Mexico Professional Surveyor

262-1-1000
Due

LEGEND	
(A)	RECORDED DISTANCE
(M)	MEASURED DISTANCE
(P)	MEASUREMENT FOUND AS SHOWN
(O)	MONUMENT-SET BY REGULAR BY ALLAN CAY
(B)	CALCULATED POINT
----	RAILROAD TRACKS
----	BARBED FENCE LINE
△	UNDERGROUND PIPELINE
△	BENCH MARK

Boundary Survey
Section 22 & 23
T11S32E, R10W

LOCKWOOD GREENE
ENGINEERS INC.
SPARTANSBURG,
SOUTH CAROLINA

Pettigrew & Associates, P.A.
A Professional Engineering, Surveying &
Testing Company
1110 N. GARCIA
DENVER, CO 80202

REVISIONS

NO.	DATE	BY
1	08-26-2003	DAVID B. SMITH

DATE: 08-26-2003
DRAWN BY: DS
APPROVED BY: DS

PROJECT NO.
2003-1084

SHEET No.
1

OF

Form No. 1402.92
(10/17/92)
ALTA Owner's Policy



POLICY OF TITLE INSURANCE



ISSUED BY

First American Title Insurance Company

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the Insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.



Elliott & Waldron Title & Abstract Co., Inc.
1819 N. Turner, Suite B
Hobbs, NM 88240
(505) 393-7706
(505) 393-7725 Fax

Agent for:

First American Title Insurance Company

First American Title Insurance Company

BY

Gary L. Keruett

PRESIDENT

ATTEST

Maria L. Arnesen

SECRETARY

J 1290590

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.
- (b) "insured claimant": an insured claiming loss or damage.
- (c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.
- (d) "land": the land described or referred to in Schedule (A), and improvements annexed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule (A), nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.
- (e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.
- (g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in

by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than

for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the Amount of Insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured and so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of a counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) To pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) To pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the Amount of Insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or (ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule (A)(C) consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the Amount of Insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against non-Insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at 1 First American Way, Santa Ana, California 92707, or to the office which issued this policy.

First American Title Insurance Company
OWNER POLICY OF TITLE INSURANCE
Schedule A

3F No. or File No. : 04-041A
Date of Policy : 1-22-04 @ 11:46 A.M.
Amount of Insurance : \$ 68,300.00
Policy Number : J1290590 <THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE
PREPRINTED NUMBER ON THE COVER SHEET.

1. Name of Insured *:

LOUISIANA ENERGY SERVICES, L.P., a Delaware Limited Partnership

2. The estate or interest in the land described herein and which is covered by this policy is:(a fee, a leasehold,etc.)

EASEMENT

3. Title to the estate of interest in the land is vested in:

LOUISIANA ENERGY SERVICES, L.P., a Delaware Limited Partnership, as evidenced by that certain Easement filed 8-22-03, Under File No. RW28583, New Mexico State Land Office, and in Book 1279, Page 388, Lea County Records, Lea County, New Mexico. Executed by New Mexico Commissioner of Public Lands to Louisiana Energy Services, L.P., a Delaware Limited Partnership.

4. The land referred to in this policy is described as follows:

SEE ATTACHED EXHIBIT "A" FOR LEGAL DESCRIPTION

Countersigned by



Authorized Officer or Agent

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.
In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
Schedule B

GF or File No. : 04-041A

Date of Policy : 1-22-04 @ 11:46 A.M.

Policy Number : J1290590<THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE PREPRINTED NUMBER ON THE COVER SHEET.

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- ~~1. Rights or claims of parties in possession not shown by the public record.~~
- ~~2. Easements or claims of easements not shown by the public record.~~
- ~~3. Encroachments, overlaps, conflicts in boundary lines, shortages in area or other matters which would be disclosed by an accurate survey and inspection of the premises.~~
- ~~4. Any lien, claim or right to a lien, for services, labor or materials heretofore or hereafter furnished, imposed by law and not shown by the public records.~~
- ~~5. Community property, survivorship, or homestead rights if any, of any spouse of the insured.~~
- ~~6. Any titles or rights asserted by anyone including, but not limited to, persons, corporations, governments, or other entities, to lands comprising the shores or bottoms of navigable streams, lakes or land beyond the line of harbor or bulkhead lines established or changed by the United States Government.~~
- ~~7. Unpatented mining claims, reservations or exceptions in patents or in acts authorizing the issuance thereof, water rights, claims or title to water.~~
1. Taxes or assessments which are not shown as existing liens by the public record.
9. Taxes for the year 2004 and thereafter, not yet due and payable.
10. Reservations, conditions and stipulations as contained in Patent appearing of record in the New Mexico State Land Office under Patent No. 1202902.
11. Title to all the oil, gas, minerals and mineral substances within and underlying the premises.
12. Oil and Gas Lease filed with the New Mexico State Land Office and labeled B-4467 dated 6-10-35, executed by and between The State of New Mexico and Gypsy Oil Company, assigned to Gulf Oil Corporation in Assignment filed with the New Mexico State Land Office 2-24-36. Gulf Oil Corporation, evidenced by those certain Articles of Merger filed with the New Mexico State Land Office, changed its name to Chevron U.S.A. Inc. Chevron U.S.A. Inc. partially assigned lease to Louisiana Energy Services, L.P., evidenced by Partial Assignment of Oil and Gas Lease filed with the New Mexico State Land Office on 8-28-03 and Partial Assignment of Oil and Gas Lease dated 8-22-03, filed 8-28-03, in Book 1249, Page 610, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1290590; GF NO. 04-041A
Schedule B - PAGE 2

13. Pipeline Easement (unrecorded) as evidenced by that certain Conveyance, Assignment and Bill of Sale dated 12-24-90, effective 12-31-90, filed 1-2-91, in Book 536, Page 273, Miscellaneous Records, Lea County, New Mexico, executed by Enron Corp. fka Northern Natural Gas Company to Northern Natural Gas Company. RE: Pipeline Easement (NMG 203-18).
14. Right of Way filed in the New Mexico State Land Office as Permit No. RW22760, executed by Commissioner of Public Lands State of New Mexico, to Big Three Industries, Inc. As assigned in that certain Assignment of Right of Way and Easement approved and filed with the New Mexico State Land Office October 14, 1986 and executed by Big Three Industries, Inc. to Big Three Carbon Dioxide Company. Big Three Carbon Dioxide Company changed its name to Air Liquide America Corporation as indicated in Miscellaneous Instrument #8970 filed with the New Mexico State Land Office. Said Right of Way assigned by Air Liquide America Corporation to Trinity Pipeline L.P. evidenced by Assignment filed with the New Mexico State Land Office on 7-21-03. Said Right of Way is labeled Underground Pipeline as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, Survey Records, Lea County, New Mexico, and as additionally shown and labeled as Permit for Right-of-way-Air Liquide America Corporation, New Mexico State Land Office Permit No. RW22760 on Survey prepared by Pettigrew and Associates, dated 8-26-03, filed 8-26-03, in Book 1, Page 568, Survey Records, Lea County, New Mexico.
15. State of New Mexico Grazing Lease No. GR 1855 filed in the New Mexico State Land Office. Executed by the New Mexico State Land Office to Wallach Ranch, LLC. And as mentioned in those certain Probate Proceedings, Lea County Probate Court case no. 3932, filed 10-29-75, styled In The Matter of the Estate of Paul Wallach, Deceased and referenced as GR 527, by and between State of New Mexico and Paul Wallach.
16. Encroachment of the fence along the western boundary as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
17. Rights of Wallach Ranch, LLC and Wallach Concrete, Inc. set forth in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P. in and to the road running North to South along the center line of the property as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
18. Agreements, covenants and conditions in favor of Wallach Ranch, LLC including but not limited to the first right of refusal as mentioned in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P.
19. Terms and conditions of that certain Easement No. RW28583 executed by the Commissioner of Public Lands, State of New Mexico on 8-20-03 to Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 8-22-03, as file no. RW28583, and filed in the Lea County Records on 1-22-04, as file no. 50770, in Book 1279, Page 388, as assigned by way of that Assignment dated 1-20-04, filed 1-23-04, Under Miscellaneous Instrument File No. 1125, New Mexico State Land Office, in Book 1279, Page 413, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto. In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1290590; GF NO. 04-041A
Schedule B - PAGE 3

20. Terms and conditions of that certain Agreement Regarding Land Use Restriction or Condition effective 8-22-03 executed by and between the Commissioner of Public Lands, State of New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 1-20-04, as file no. LURC #3, and filed in the Lea County Records on 1-22-04, as file no. 50771, in Book 1279, Page 406.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto. In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

EXHIBIT "A" TO POLICY NO. J1290590
GF NO. 04-041A
LEGAL DESCRIPTION

FOR SURFACE TITLE ONLY:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico and being more particularly described as follows:

Beginning at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 feet to the point of beginning.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

NAMED INSURED ENDORSEMENT

Attached to Policy No. J1290590

Issued by

First American Title Insurance Company



Paragraph 1(a) of Conditions and Stipulations is deleted and the following paragraph is substituted in its place:

"insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate, partnership or fiduciary successors, and specifically, without limitation, the following:

- (i) the successors in interest to a corporation, limited liability company or limited liability partnership named as an insured in Schedule A resulting from merger or consolidation or conversion or the distribution of the assets of the corporation or limited liability company or limited liability partnership upon partial or complete liquidation;
- (ii) the successors in interest to a general or limited partnership or limited liability company or limited liability partnership named as an insured in Schedule A which dissolves but does not terminate;
- (iii) the successors in interest to a general or limited partnership named as an insured in Schedule A resulting from the distribution of the assets of the general or limited partnership upon partial or complete liquidation;
- (iv) the successors in interest to a joint venture named as an insured in Schedule A resulting from the distribution of the assets of the joint venture upon partial or complete liquidation;
- (v) the trustee or successor trustee of a written trust instrument established by the insured named in Schedule A for estate planning purposes to whom the title is transferred after the policy date;
- (vi) the successor or substitute trustee(s) of a trustee named in a written trust instrument established by the insured named in Schedule A for estate planning purposes; or
- (vii) the successors in interest to a trustee or trust resulting from the distribution of all or part of the assets of the trust established by the insured named in Schedule A for estate planning purposes to the beneficiaries thereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

Dated: 1-22-2004

First American Title Insurance Company

BY Parker S. Kennedy PRESIDENT

BY Wendie Scott AUTHORIZED SIGNATORY



NM51 Land Abuts Street
ENDORSEMENT
Attached to Policy No. J1290590

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to abut upon a physically open street known as
N. M. Hwy. 234
(insert name of street).

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

Vudie Scott
.....
Authorized Signature

NM51 (5/15/2000)
LAND ABUTS STREET ENDORSEMENT

NM53 Same as Survey

ENDORSEMENT

Attached to Policy No. J1290590

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by Pettigrew and Associates, P.A. - on 8-26-2003, designated Job No. 2003.1084 a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

Verdie Scott
Authorized Signature

NM53 (5/15/2000)
SAME AS SURVEY ENDORSEMENT

RESTRICTIONS, ENCROACHMENTS, MINERALS OWNER'S POLICY; UNIMPROVED LAND

Attached to Policy No. J1290590

Issued by

First American Title Insurance Company



The Company insures the insured against loss or damage sustained by reason of:

1. The existence, at Date of Policy, of any of the following unless expressly excepted in Schedule B:
 - (a) Present violations on the land of any enforceable covenants, conditions or restrictions.
 - (b) Any instrument referred to in Schedule B as containing covenants, conditions or restrictions on the land which, in addition, (i) establishes an easement on the land; (ii) provides for an option to purchase, a right of first refusal or the prior approval of a future purchaser or occupant; or (iii) provides a right of reentry, possibility of reverter or right of forfeiture because of violations on the land of any enforceable covenants, conditions or restrictions.
 - (c) Any encroachment onto the land of existing improvements located on adjoining land.
 - (d) Any notices of violation of covenants, conditions and restrictions relating to environmental protection recorded or filed in the public records.
2. Damage to buildings constructed on the land after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the land for the extraction or development of minerals excepted from the description of the land or excepted in Schedule B.

Wherever in this endorsement the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants, conditions or limitations contained in an instrument creating a lease.

As used in paragraph 1(a), the words "covenants, conditions or restrictions" shall not be deemed to refer to or include any covenants, conditions or restrictions relating to environmental protection.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

DATED: 1-22-2004

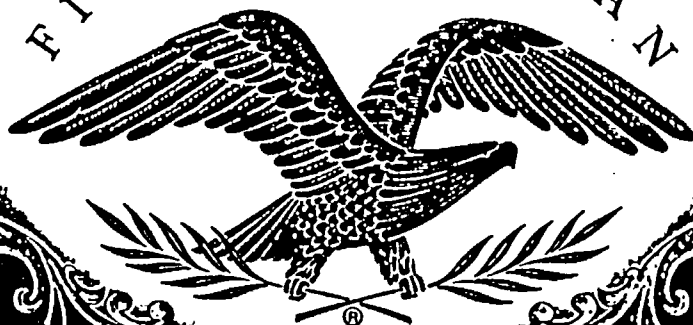
First American Title Insurance Company

BY Parker S. Kennedy PRESIDENT

BY V. J. Sca AUTHORIZED SIGNATORY



FIRST AMERICAN



1889

First American Title Insurance Company

**POLICY
OF
TITLE
INSURANCE**



Form No. 1402.92
(10/17/92)
ALTA Owner's Policy



POLICY OF TITLE INSURANCE



ISSUED BY

First American Title Insurance Company

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.



Elliott & Waldron Title & Abstract Co., Inc.
1819 N. Turner, Suite B
Hobbs, NM 88240
(505) 393-7706
(505) 393-7725 Fax

Agent for:

First American Title Insurance Company

First American Title Insurance Company

BY

Gary L. Kenneth

PRESIDENT

ATTEST

Mark A. Hansen

SECRETARY

J 1800788



EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.
- (b) "insured claimant": an insured claiming loss or damage.
- (c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.
- (d) "land": the land described or referred to in Schedule (A), and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule (A), nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.
- (e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.
- (g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in

by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than

for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the Amount of Insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued, if requested by the Company, the insured claimant shall transfer to the Company all rights

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against

pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the Amount of Insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or (ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule (A)(C) consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the Amount of Insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against non-Insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guarantees, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at 1 First American Way, Santa Ana, California 92707, or to the office which issued this policy.

First American Title Insurance Company
OWNER POLICY OF TITLE INSURANCE
Schedule A

IF No. or File No. : 04-041C
Date of Policy : 1-22-04 @ 11:46 A.M.
Amount of Insurance : \$ 68,300.00
Policy Number : J1800788<THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE
PREPRINTED NUMBER ON THE COVER SHEET.

1. Name of Insured *:

LOUISIANA ENERGY SERVICES, L.P., a Delaware Limited Partnership

2. The estate or interest in the land described herein and which is covered by this policy is: (a fee, a leasehold, etc.)

EASEMENT LEASEHOLD

3. Title to the estate of interest in the land is vested in:

LOUISIANA ENERGY SERVICES, L.P., a Delaware Limited Partnership, as evidenced by that certain Easement filed 8-22-03, Under File No. RW28583, New Mexico State Land Office, and in Book 1279, Page 388, Lea County Records, Lea County, New Mexico, executed by New Mexico Commissioner of Public Lands to Louisiana Energy Services, L.P., a Delaware Limited Partnership, as assigned by way of that certain Assignment dated 1-20-04, filed 1-23-04, Under Miscellaneous Instrument File No. 1125, New Mexico State Land Office, and in Book 1279, Page 413, Lea County Records, Lea County, New Mexico, executed by Louisiana Energy Services, L.P., a Delaware Limited Partnership to Lea County, a political subdivision of the State of New Mexico, and as subsequently leased by way of that certain Lease and Purchase Agreement dated 1-22-04, filed 1-22-04, in Book 1279, Page 420, Lea County Records, Lea County, New Mexico. Executed by Lea County, New Mexico, a political subdivision of the State of New Mexico to Louisiana Energy Services, L.P., a Delaware Limited Partnership.

4. The land referred to in this policy is described as follows:
FOR SURFACE TITLE ONLY:

SEE ATTACHED EXHIBIT "A" FOR LEGAL DESCRIPTION

Countersigned by Verdine Scott
Authorized Officer or Agent

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.
In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
Schedule B

GF or File No. : 04-041C

Date of Policy : 1-22-04 @ 11:46 A.M.

Policy Number : J1800788<THE POLICY NUMBER SHOWN ON THIS SCHEDULE MUST AGREE WITH THE PREPRINTED NUMBER ON THE COVER SHEET.

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- ~~1. Rights or claims of parties in possession not shown by the public record.~~
- ~~2. Easements or claims of easements not shown by the public record.~~
- ~~3. Encroachments, overlaps, conflicts in boundary lines, shortages in area or other matters which would be disclosed by an accurate survey and inspection of the premises.~~
- ~~4. Any lien, claim or right to a lien, for services, labor or materials heretofore or hereafter furnished, imposed by law and not shown by the public records.~~
- ~~5. Community property, survivorship, or homestead rights if any, of any spouse of the insured.~~
- ~~6. Any titles or rights asserted by anyone including, but not limited to, persons, corporations, governments, or other entities, to lands comprising the shores or bottoms of navigable streams, lakes or land beyond the line of harbor or bulkhead lines established or changed by the United States Government.~~
- ~~7. Unpatented mining claims, reservations or exceptions in patents or in acts authorizing the issuance thereof, water rights, claims or title to water.~~
8. Taxes or assessments which are not shown as existing liens by the public record.
9. Taxes for the year 2004 and thereafter, not yet due and payable.
10. Reservations, conditions and stipulations as contained in Patent appearing of record in the New Mexico State Land Office under Patent No. 1202902.
11. Title to all the oil, gas, minerals and mineral substances within and underlying the premises.
12. Oil and Gas Lease filed with the New Mexico State Land Office and labeled B-4467 dated 6-10-35, executed by and between The State of New Mexico and Gypsy Oil Company, assigned to Gulf Oil Corporation in Assignment filed with the New Mexico State Land Office 2-24-36. Gulf Oil Corporation, evidenced by those certain Articles of Merger filed with the New Mexico State Land Office, changed its name to Chevron U.S.A. Inc. Chevron U.S.A. Inc. partially assigned lease to Louisiana Energy Services, L.P., evidenced by Partial Assignment of Oil and Gas Lease filed with the New Mexico State Land Office on 8-28-03 and Partial Assignment of Oil and Gas Lease dated 8-22-03, filed 8-28-03, in Book 1249, Page 610, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1800788; GF NO. 04-041C
Schedule B - PAGE 2

13. Pipeline Easement (unrecorded) as evidenced by that certain Conveyance, Assignment and Bill of Sale dated 12-24-90, effective 12-31-90, filed 1-2-91, in Book 536, Page 273, Miscellaneous Records, Lea County, New Mexico, executed by Enron Corp. fka Northern Natural Gas Company to Northern Natural Gas Company. RE: Pipeline Easement (NMG 203-18).
14. Right of Way filed in the New Mexico State Land Office as Permit No. RW22760, executed by Commissioner of Public Lands State of New Mexico, to Big Three Industries, Inc. As assigned in that certain Assignment of Right of Way and Easement approved and filed with the New Mexico State Land Office October 14, 1986 and executed by Big Three Industries, Inc. to Big Three Carbon Dioxide Company. Big Three Carbon Dioxide Company changed its name to Air Liquide America Corporation as indicated in Miscellaneous Instrument #8970 filed with the New Mexico State Land Office. Said Right of Way assigned by Air Liquide America Corporation to Trinity Pipeline L.P. evidenced by Assignment filed with the New Mexico State Land Office on 7-21-03. Said Right of Way is labeled Underground Pipeline as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, Survey Records, Lea County, New Mexico, and as additionally shown and labeled as Permit for Right-of-way-Air Liquide America Corporation, New Mexico State Land Office Permit No. RW22760 on Survey prepared by Pettigrew and Associates, dated 8-26-03, filed 8-26-03, in Book 1, Page 568, Survey Records, Lea County, New Mexico.
15. State of New Mexico Grazing Lease No. GR 1855 filed in the New Mexico State Land Office. Executed by the New Mexico State Land Office to Wallach Ranch, LLC. And as mentioned in those certain Probate Proceedings, Lea County Probate Court case no. 3932, filed 10-29-75, styled In The Matter of the Estate of Paul Wallach, Deceased and referenced as GR 527, by and between State of New Mexico and Paul Wallach.
16. Encroachment of the fence along the western boundary as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
17. Rights of Wallach Ranch, LLC and Wallach Concrete, Inc. set forth in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P. in and to the road running North and South along the center line of the property as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.
18. Agreements, covenants and conditions in favor of Wallach Ranch, LLC including but not limited to the first right of refusal as mentioned in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P.
19. Terms and conditions of that certain Easement No. RW28583 executed by the Commissioner of Public Land, State of New Mexico on 8-20-03 to Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 8-22-03, as file no. RW28583, and filed in the Lea County Records on 1-22-04, as file no. 50770, in Book 1279, Page 388, as assigned by way of that Assignment dated 1-20-04, filed 1-23-04, Under Miscellaneous Instrument File No. 1125, New Mexico State Land Office, in Book 1279, Page 413, Lea County Records, Lea County, New Mexico.

CONTINUED ON NEXT PAGE

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto. In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

First American Title Insurance Company
OWNER POLICY of TITLE INSURANCE
POLICY NO. J1800788; GF NO. 04-041C
Schedule B - PAGE 3

0. Terms and conditions of that certain Agreement Regarding Land Use Restriction or Condition effective 8-22-03 executed by and between the Commissioner of Public Lands, State of New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on 1-20-04, as file no. LURC #3, and filed in the Lea County Records on 1-22-04, as file no. 50771, in Book 1279, Page 406.
21. Terms and conditions as contained in that certain Lease and Purchase Agreement dated 1-22-04, filed 1-22-04, in Book 1279, Page 420, Lea County Records, Lea County, New Mexico. Executed by and between Lea County, New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership.
22. Indenture dated 1-22-04, filed 1-22-04, Under File No. 50774, in Book 1279, Page 458, Lea County Records, Lea County, New Mexico. Executed by and between Lea County, New Mexico, as Issuer, Bank of Albuquerque, N.A., as Depository, and NEF Series 2004, LLC, as Purchaser, securing an industrial revenue bond in the maximum principal amount of \$1,800,000,000, to be funded as project costs are incurred.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

EXHIBIT "A" TO POLICY NO. J1800788
GF NO. 04-041C
LEGAL DESCRIPTION

FOR SURFACE TITLE ONLY:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico and being more particularly described as follows:

Beginning at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 feet to the point of beginning.

The Policy is invalid unless the insuring provisions and Schedules A and B are attached hereto.

In compliance with Subsection D of 13.14.18.10 NMAC, the Company hereby waives its right to demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Nothing herein prohibits the arbitration of all arbitrable matters when agreed to by both the Company and the insured.

OWNER'S LEASEHOLD CONVERSION ENDORSEMENT

Attached to Policy No. J1800788

Issued by

First American Title Insurance Company



Effective on and after 1-22-2004 the Conditions and Stipulations of said policy are hereby amended in the following particulars:

Section 1 of the Conditions and Stipulations is hereby amended by deleting therefrom subparagraph (h), if such subparagraph appears in the policy.

Section 7 subparagraph (b) is amended to read as follows:

(b) "In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the Insured estate of interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the Insured estate or interest by at least 20 percent over the amount of Insurance stated in Schedule A, then this policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A."

If the Policy contains Section 14, Valuation Of Estate Or Interest Insured, and Section 15, Miscellaneous Items Of Loss, then such Sections are hereby deleted and Sections 16, 17, 18 and 19 are hereby renumbered 14, 15, 16 and 17 respectively.

This endorsement when countersigned below by a validating signatory, is hereby made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

Dated: 1-22-2004

First American Title Insurance Company

BY Parker S. Kennedy PRESIDENT

BY Walter Scott AUTHORIZED SIGNATORY



NAMED INSURED ENDORSEMENT

Attached to Policy No. J1800788

Issued by

First American Title Insurance Company



Paragraph 1(a) of Conditions and Stipulations is deleted and the following paragraph is substituted in its place:

"insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate, partnership or fiduciary successors, and specifically, without limitation, the following:

- (i) the successors in interest to a corporation, limited liability company or limited liability partnership named as an insured in Schedule A resulting from merger or consolidation or conversion or the distribution of the assets of the corporation or limited liability company or limited liability partnership upon partial or complete liquidation;
- (ii) the successors in interest to a general or limited partnership or limited liability company or limited liability partnership named as an insured in Schedule A which dissolves but does not terminate;
- (iii) the successors in interest to a general or limited partnership named as an insured in Schedule A resulting from the distribution of the assets of the general or limited partnership upon partial or complete liquidation;
- (iv) the successors in interest to a joint venture named as an insured in Schedule A resulting from the distribution of the assets of the joint venture upon partial or complete liquidation;
- (v) the trustee or successor trustee of a written trust instrument established by the insured named in Schedule A for estate planning purposes to whom the title is transferred after the policy date;
- (vi) the successor or substitute trustee(s) of a trustee named in a written trust instrument established by the insured named in Schedule A for estate planning purposes; or
- (vii) the successors in interest to a trustee or trust resulting from the distribution of all or part of the assets of the trust established by the insured named in Schedule A for estate planning purposes to the beneficiaries thereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

Dated: 1-22-2004

First American Title Insurance Company

BY Parker S. Kennedy PRESIDENT

BY Undiscovered AUTHORIZED SIGNATORY



NM51 Land Abuts Street
ENDORSEMENT
Attached to Policy No. J1800788

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to abut upon a physically open street known as

N. M. Hwy. 234

(insert name of street).

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

Vivian Scott

Authorized Signature

NM51 (3/15/2000)
LAND ABUTS STREET ENDORSEMENT

NM53 Same as Survey

ENDORSEMENT

Attached to Policy No. J1800788

Issued By

First American Title Insurance Company



The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by Pettigrew and Associates, P.A. on 8-26-2003, designated Job No. 2003.1084 a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated 1-22-2004

First American Title Insurance Company

By:

Andie Scott
Authorized Signature

NM53 (5/15/2000)
SAME AS SURVEY ENDORSEMENT

RESTRICTIONS, ENCROACHMENTS, MINERALS OWNER'S POLICY; UNIMPROVED LAND

Attached to Policy No. J1800788

Issued by

First American Title Insurance Company



The Company insures the insured against loss or damage sustained by reason of:

1. The existence, at Date of Policy, of any of the following unless expressly excepted in Schedule B:
 - (a) Present violations on the land of any enforceable covenants, conditions or restrictions.
 - (b) Any instrument referred to in Schedule B as containing covenants, conditions or restrictions on the land which, in addition, (i) establishes an easement on the land; (ii) provides for an option to purchase, a right of first refusal or the prior approval of a future purchaser or occupant; or (iii) provides a right of reentry, possibility of reverter or right of forfeiture because of violations on the land of any enforceable covenants, conditions or restrictions.
 - (c) Any encroachment onto the land of existing improvements located on adjoining land.
 - (d) Any notices of violation of covenants, conditions and restrictions relating to environmental protection recorded or filed in the public records.
2. Damage to buildings constructed on the land after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the land for the extraction or development of minerals excepted from the description of the land or excepted in Schedule B.

Wherever in this endorsement the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants, conditions or limitations contained in an instrument creating a lease.

As used in paragraph 1(a), the words "covenants, conditions or restrictions" shall not be deemed to refer to or include any covenants, conditions or restrictions relating to environmental protection.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

DATED: 1-22-2004

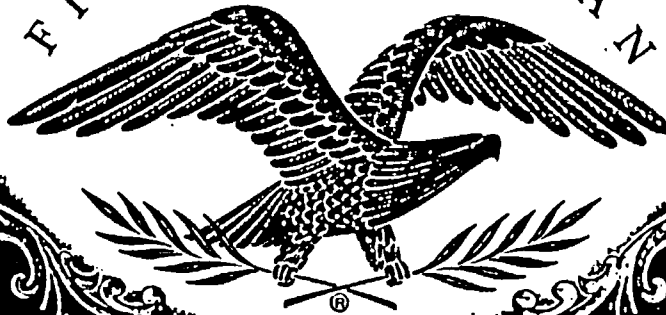
First American Title Insurance Company

BY *Parker S. Kennedy* PRESIDENT

BY *Wendie Scott* AUTHORIZED SIGNATORY



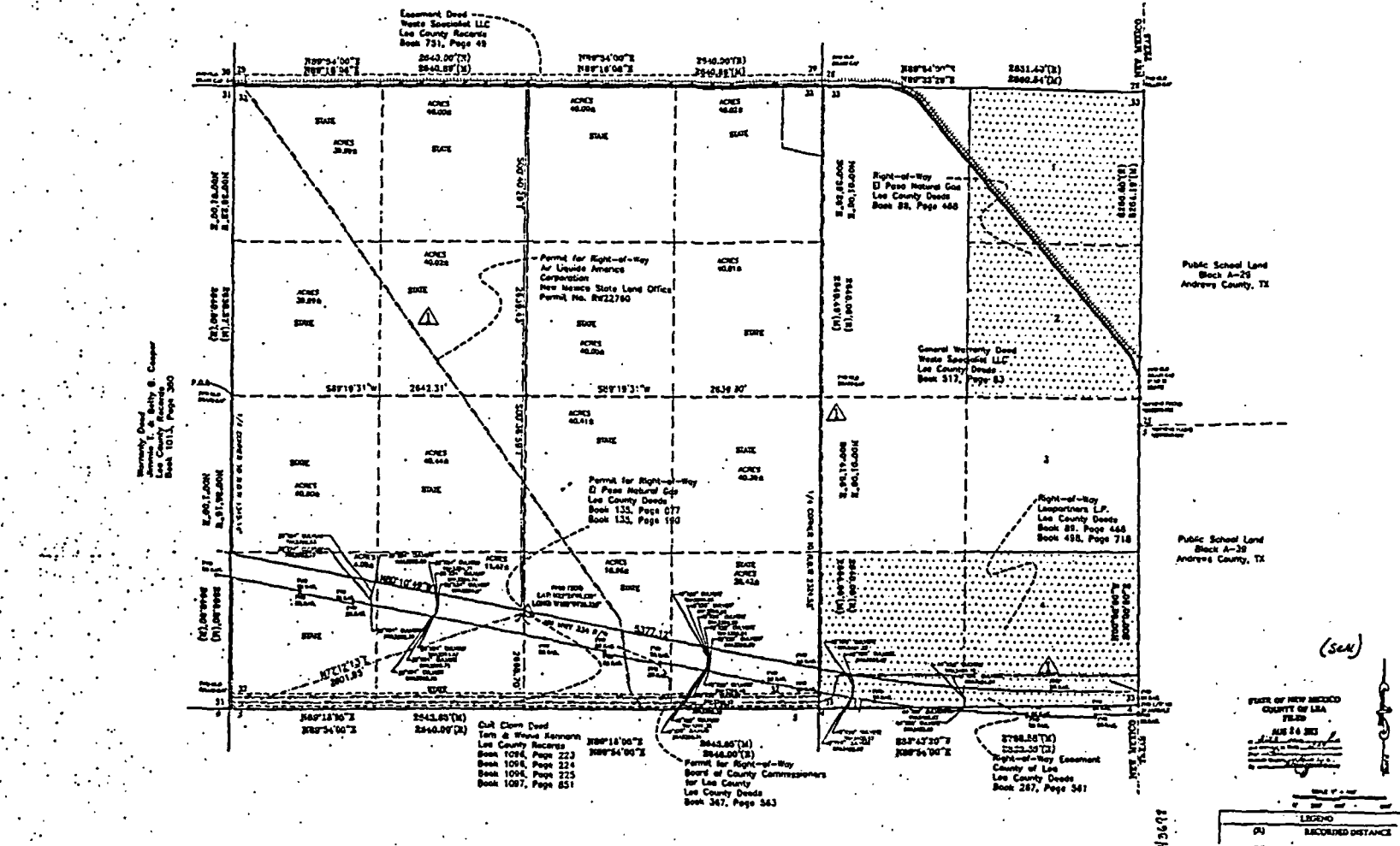
FIRST AMERICAN



First American Title Insurance Company

**POLICY
OF
TITLE
INSURANCE**





NOTE:
PIPELINES LOCATED FROM OBSERVED EVIDENCE IN THE FIELD. EXACT
LOCATION HAS NOT BEEN DETERMINED.

Books of Dangling
The Book of Dangling for this Survey is Global Positioning Systems and their Differentially Corrected observations made from the U.S. Geological Survey National 12DO 3" Paper Map in constant having a derived horizontal and vertical position of N127 27 04.550W Longitude, W101 56 57.12007 Longitude and a height of 11212.113 feet from a Central Survey table in Continuously Operating Reference Station Systems. Dangling are referenced to the NAD83-Cent 2011, Datums are given.

CERTIFICATE OF SURVEY. -
 "I, Daniel B. Mann, New Mexico Probationary Surveyor, hereby certify that this Boundary Survey Plat was prepared from the most ground survey performed by me or under my supervision, that this survey is true and correct to the best of my knowledge and belief, that this Boundary Survey Plat and the field survey upon which it is based are the minimum documents for Surveying in New Mexico, and that this survey is not a land division or subdivision as defined in the New Mexican Probationary Act. This is a Boundary Survey Plat of no sitting land or town.

James R. Smith 704726 11139 Date 7/6/42

STATE OF NEW MEXICO
COUNTY OF LEA
FILED
JUN 24 1953
at _____
and _____
by _____
County Clerk

LEGEND	
(D)	RECORDED DISTANCE
(S)	MEASURED DISTANCE
0	MOMENTUM-FOUND AS DESCRIBED
O	MOMENTUM-LEFT 51° REGAR W/ ALLUM CAP MARKED WITH PLS 1239
B	CALCULATED POINT
+++++	RAIL ROAD TRAILS
-----	BARBED FENCE LINE
~~~~~	UNDERGROUND PIPELINE
△	BEYON MARK

Boundary Survey  
Section 32 & 33  
T21SR38E, N44PM

**LOCKWOOD GREENE  
ENGINEERS INC.  
SPARTANSBURG,  
SOUTH CAROLINA**



**Pettigrew & Associates, P.A.**  
A Professional Engineering, Surveying &  
Testing Company  
1110 N. GARDNER AVE. SUITE 104  
DALLAS, TEXAS 75242  
(214) 343-0627



REVISIONS	
DATE	BY

DATE 11/20/88  
 DRAWN BY CS  
 APPROVED BY EN

PROJECT No.  
2003 1084

SHEET No.  
1  
 OF



21

50770

STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS  
GRANT OF EASEMENT AND RIGHT OF WAY

Subject to the terms, conditions and limitations set out herein below, the New Mexico Commissioner of Public Lands (together with successors and assigns, "Grantor"), in his capacity as trustee of the land trust established by the Enabling Act (Act of June 20, 1910, 36 Statutes at Large 557, Chapter 310) and that trust's assets (the land trust and its assets, collectively, the "Trust"), hereby Grants to Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, "Grantee"), whose address is 1133 Connecticut Ave, NW, Suite 200, Washington, DC 20036, an easement and right of way ("Easement"), in and to the Land (defined below).

1. **Land:** This Easement covers the State of New Mexico ("State") trust land ("Land") depicted in the attached Exhibit A.

2. **Term:** This Easement is for a term ("Term") of thirty-five (35) years, commencing on the day on which the Grantor executes this Easement ("Effective Date") and ending at 11:59 p.m. on the thirty-fifth (35th) annual anniversary of the Effective Date, or upon earlier termination or relinquishment of this Easement.

3. **Consideration:** As consideration ("Consideration") for this Easement, Grantee shall pay to Grantor:

(1) One hundred twenty thousand and no/100 Dollars (\$120,000) ("Initial Payment"), payable on the Effective Date. The Initial Payment is nonrefundable.

(2) Thirty thousand and no/100 Dollars (\$30,000) on the fifth (5th) anniversary of the Effective Date, and on each anniversary of the Effective Date thereafter up to and including the thirty-fourth (34th) anniversary of the Effective Date unless this Easement is earlier terminated or relinquished.

Grantor and Grantee acknowledge and agree that the Consideration is good and sufficient consideration for the grant of this Easement and for the other agreements contained in this instrument.

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JUN 10 1983  
STATE OF NEW MEXICO  
COMMISSIONER OF PUBLIC LANDS

4. **Uses of the Land; Improvements and Equipment:**

A. This Easement authorizes Grantee to use and improve the Land in any manner that may be necessary or convenient to support and facilitate a gas centrifuge uranium enrichment facility ("Facility") in accordance with an operating license from the United States Nuclear Regulatory Commission ("NRC") or any other successor agency with jurisdiction, as the same may be renewed, revised, amended, supplemented, assigned, modified and/or renumbered from time to time in accordance with law and applicable regulations ("NRC License") and all applicable federal licensing or regulatory requirements ("Federal Requirements") and, subject to Paragraph 26 of this Easement, applicable state licensing or regulatory requirements ("State Requirements").

B. This Easement shall be liberally construed to assure that Grantee and its agents have sufficient legal rights to use and improve the Land as necessary to (i) support and facilitate the Facility; (ii) decommission the Facility in accordance with Federal Requirements and, subject to Paragraph 26 of this Easement, State Requirements, including but not limited to NRC requirements as specified in Title 10 of the Code of Federal Regulations (i.e., 10 CFR), Parts 70, "Special nuclear material," and 40, "Source material," sections 70.38 and 40.42, "Expiration and termination of licenses and decommissioning of sites and separate buildings or outdoor areas" (i.e., 10 CFR 70.38 and 10 CFR 40.42); and (iii) fully reclaim the Land in accordance with Federal Requirements, State Requirements and this Easement, subject to Paragraph 26 of this Easement. Subject to Paragraph 4.C below, Grantee's rights under this Easement shall include, *but are not limited to*, the right to use and improve the Land for the following purposes: (a) constructing and operating the Facility; (b) providing power, water, waste disposal and other utility services to the Facility; (c) providing access to the Facility; (d) limiting access to the Facility and the Land in proximity thereto as required by the NRC License or other Federal Requirements; (e) constructing, operating and maintaining primary and support buildings and facilities; (f) constructing facilities for uranium byproduct storage in accordance with Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (g) storing uranium byproduct in accordance with Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (h) constructing and

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FEDERAL BUREAU OF INVESTIGATION  
U.S. DEPARTMENT OF JUSTICE

maintaining access and maintenance roads; (i) decommissioning the Facility as required by Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements; (j) reclaiming the Land and removing improvements and equipment as provided in Paragraph 5.B-E of this Easement; and (k) housing furnishings, fixtures, equipment and vehicles related to the operations at the Facility; provided, however, that all uses and improvements under this Easement shall be in accordance with all Federal Requirements, including but not limited to the regulatory standards of NRC and, subject to Paragraph 26 of this Easement, State Requirements, and only as necessary or convenient to support and facilitate the Facility.

C. Grantee may use and operate such equipment on the Land, and may construct, operate, maintain and replace improvements on the Land, as may be reasonably necessary to carry out the purposes of this Easement, as set forth in Paragraph 4.A above. As of the Effective Date, Grantee anticipates that it will construct, operate, maintain and replace, as necessary, the following improvements and equipment on the Land:

(1) The buildings, administrative facilities, access roads, storage facilities, electrical lines and poles, pipelines, fencing, security apparatus, ponding areas and other improvements depicted on Exhibit B to this Easement;

(2) A septic tank and leaching field; and

(3) Such other improvements, personal property and fixtures as may be necessary or desirable to carry out the purpose of this Easement, as set forth in Paragraph 4.A above.

The foregoing description of improvements and equipment is not intended to be an exhaustive list.

D. Grantor understands and agrees that access to the Facility and to the Land in proximity thereto will be limited in accordance with Federal Requirements, including but not limited to NRC requirements specified in 10 CFR 73, "Physical protection of plants and materials," as directed by 10 CFR 70.22, "Contents of licenses," paragraph (h)(1), and, subject to Paragraph 26 of this Easement, State Requirements.

E. Except as limited by Paragraph 17, (i) documents related to substantial improvements on the Land shall be kept at the operations office for the Facility; (ii) Grantor shall have the right to inspect such records and improvements provided that Grantor shall request

such inspection by giving Grantee reasonable notice thereof and provided that Grantee is able to permit access to the Facility at the time requested by Grantor; and (iii) Grantee shall provide Grantor with copies of documents that it provides to NRC, the New Mexico Environmental Department and any other federal or state agency with jurisdiction, showing the location and/or type of the improvements and equipment located on the Land. If Grantee is unable to provide access to the Facility at the specific time requested by Grantor, such access will be available to Grantor at such other time as is mutually agreeable to Grantor and Grantee.

**5. Reclamation and Removal of Improvement and Equipment.**

A. Prior to termination of this Easement, Grantee shall decommission the Facility as required by, and in accordance with, Federal Requirements, including but not limited to NRC regulatory requirements in 10 CFR 70.38 and 10 CFR 40.42, and subject to Paragraph 26 of this Easement, State Requirements. Grantee also shall provide assurances that adequate funding will be available to decommission the Facility in accordance with Federal Requirements, including but not limited to NRC requirements in 10 CFR 70.25 and 10 CFR 40.36, "Financial assurance and recordkeeping for decommissioning" and, subject to Paragraph 26 of this Easement, State Requirements. Documentation thereof shall be delivered to Grantor as and when it is delivered to NRC.

B. Grantee shall reclaim the land in accordance with Federal Requirements and State Requirements. Grantee shall submit a proposed reclamation plan ("Reclamation Plan") to Grantor for Grantor's approval, which approval Grantor shall not unreasonably withhold. The Reclamation Plan shall be submitted to Grantor concurrently with Grantee's submission to NRC of its plan for decommissioning the Facility ("Decommissioning Plan") as required by Federal Requirements, including but not limited to 10 CFR 70.38 and 10 CFR 40.42, and, subject to Paragraph 26 of this Easement, State Requirements. Grantor agrees that the Reclamation Plan may provide that reclamation required by Section 19.2.10.27, N.M.A.C. and removal of improvements and equipment shall commence after completion of the activities required by the Decommissioning Plan. Grantee shall reclaim the Land in accordance with the Reclamation Plan approved by Grantor.

C. Prior to relinquishment or termination of this Easement, Grantee shall remove all improvements and equipment on the Land except as otherwise provided herein, or

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STATE OF NEW MEXICO  
DEPARTMENT OF REVENUE

except as required by the Reclamation Plan approved by Grantor, or in a written agreement between Grantor and Grantee.

D. If Grantee fails to remove improvements and equipment on Land as required in Paragraph 5.C, Grantor may, at Grantor's discretion, declare that all or any such remaining improvements and equipment are forfeited to Grantor. Any such declaration shall be in writing and shall be sent to Grantee in the manner contemplated for giving notice under this Easement. In the event of forfeiture, Grantee shall execute such bills of sale, assignments, or such other instruments as Grantor may request to acknowledge the transfer of title to Grantor.

E. If Grantee fails to remove any non-forfeited improvements and equipment as required herein, Grantee shall be deemed a holdover tenant and shall pay Grantor monthly rent, in advance, equal to three (3) times the then current rental value of the Land on which the improvements and/or equipment is located. Such rental value shall be calculated assuming the Land's highest and best use, as determined solely by the Grantor, and shall be based on no fewer than 10 acres. This provision shall not be deemed liquidated damages, shall not constitute a penalty and shall not entitle Grantee to continued use or possession of the Land.

F. Paragraphs 5.A through 5.E shall survive termination of this Easement.

**6. Rights Reserved to Grantor:**

A. This Easement conveys only the rights and interest in the Land expressly described. This Easement conveys no right, title or interest in the Land by implication.

B. Subject to the limitations set forth in Paragraph 6.C, Grantor hereby expressly reserves from this Easement:

(1) all subsurface and mineral rights, including the right to explore for, mine, develop and produce minerals such as sand and gravel, coal, caliche and humate and to issue oil; gas; geothermal resources and any other minerals related to the Land, provided that such rights, issues and leases shall be subject to this Easement;

(2) the right to sell or exchange the Land, provided that (i) Grantor shall give Grantee such notice as required by law, rules and regulations of its intent to sell or exchange and (ii) such sale or exchange (if not to Grantee) shall be subject to this Easement; and

(3) the right to use and possession of the Land free of this Easement after relinquishment or termination of this Easement, subject only to Grantee's right and duty to remove improvements and equipment and reclaim the Land.

C. Grantor shall execute and record in the records of the State Land Office a Land Use Restriction or Condition ("LURC") that provides that, absent Grantee's prior written consent, (i) Grantor shall neither exercise Grantor's rights under Paragraph 6.B(1) nor exercise Grantor's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under, or over the Land, including the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals during the Term of this Easement. As good and adequate consideration for the LURC, Grantee shall pay to Grantor Five Thousand and no/100 Dollars (\$5,000.00) per year, beginning on the fifth (5th) anniversary of the Effective Date and on each anniversary of the Effective Date thereafter up to and including the thirty-fourth (34th) anniversary of the Effective Date, or so long thereafter as Grantee occupies and uses the Land, unless this Easement is earlier terminated or relinquished; provided that if the Easement is terminated by a sale or exchange of the Land to Grantee or to Lea County, New Mexico, (a) both the restrictions and conditions in the LURC and Grantee's obligation to pay the consideration therefor in the amount, and for the time, set forth in this Paragraph shall survive and (b) the instrument conveying the Land shall expressly recite the restrictions set forth in the LURC. Grantee may record the LURC in the real property records of Lea County, New Mexico.

D. If Grantor offers the land for sale or exchange, Grantee agrees to participate in the sale or exchange process and submit and offer to purchase or exchange the land directly or through an intermediary with a bid of at least the fair market value of the unimproved land and the fair market value of third party improvements and comply with Grantor's rules and regulations on land sales or exchanges.

7. **Compliance with Law:** Grantee shall comply with all laws, whether statutory or court-made, regulations, rules, ordinances, and requirements, including, but not limited to, those addressed to environmental protection and all State Land Office Rules applicable to the Land or

to Grantee's use of the Land and improvements thereon. Grantee's compliance obligations include, but are not limited to:

A. Grantee agrees not to discriminate against any person on the basis of race, color, religion, national origin, sex, sexual preference, age or handicap.

B. Grantee shall not permit any nuisance to be maintained on the Land, provided that no use of the Land permitted by this Easement shall be deemed to constitute, or cause, a nuisance.

C. Grantee shall comply with applicable environmental laws in Chapter 74, NMSA 1978, and regulations promulgated pursuant thereto.

D. Grantee shall diligently maintain and protect the Land and improvements thereon from waste and trespass, provided that no use of the Land permitted by this Easement shall be deemed to constitute, or cause, waste of the Land.

8. **No Warranty.** Grantor makes no warranties as to Grantor's title, fitness of the Land for a particular purpose or as to any other matter. Grantee shall use, improve and accept the Land "as is." The rights granted hereby are subject to existing rights. Grantee agrees that it is solely responsible for determining whether any third party has or claims any prior and superior right, title or interest in or to the Land that may conflict with this Easement. Grantee shall at Grantee's sole expense resolve any such conflicting claims and, in the event of litigation, Grantor shall not be an indispensable or necessary party.

9. **Existing Rights.** Except as may be required by the NRC License or with applicable NRC requirements, Grantee shall not interfere with any leases, rights-of-way, Grants or other rights or interests in or to the Land that were granted by the State of New Mexico in existence on the Effective Date ("Existing Rights"). Grantee specifically agrees to use its best efforts to (i) avoid destruction or injury to any improvements or livestock on the Land pursuant to Existing Rights; (ii) close all gates immediately upon passing through same; and (iii) pay promptly the reasonable and just damages for injury or destruction arising from Grantee's use of the Land. Notwithstanding the foregoing, Grantee shall have the right to negotiate with the Grantor and the grantee of that certain Grant of Right of Way No. RW-22760 to relocate the carbon dioxide pipeline permitted thereby.

10. **Pipelines.** Unless otherwise expressly agreed by Grantor in writing, Grantee shall bury at least twenty inches (20") below the surface all pipelines that are installed by



Grantee on the Land except temporary pipelines, or pipelines whose sole purpose is to support a construction project.

11. **Assignment.** Except as otherwise provided in this Paragraph, Grantee shall not assign this Easement, either in whole or in part, without the prior written consent of Grantor. Grantor's consent may be conditioned upon the agreement by Grantee's assignee to additional conditions and covenants and may require payment of additional consideration to Grantor; provided that, for any authorized assignment occurring on or before January 1, 2009, no additional covenants and conditions and no additional payment shall be required. Grantor hereby consents to (i) Grantee's assignment of this Easement, or a leasehold or other interest in this easement, to Lea County, New Mexico ("County") and to the County's grant to Grantee, or its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in this Easement and pursuant to both the County Industrial Bond Revenue Act, Chapter 4, Article 59 N.M.S.A 1978, as amended, and other applicable law, if any; provided, that such assignment shall not diminish, alter or affect Grantee's duties, liability or responsibilities under this Easement; and (ii) the grant of mortgage or other encumbrance on or against this Easement to secure obligations incurred in financing for the Facility. Additionally, notwithstanding any other provision in this Easement, Grantee may, without Grantor's consent, grant licenses, permits or other authorizations to third parties to carry out the purposes of this Easement; provided, however, that such licenses, permits or other authorizations by Grantee shall not constitute an assignment of this Easement and shall not diminish, alter or affect Grantee's duties, liability or responsibilities under this Easement.

12. **Abandonment.** Grantor may deem that Grantee has abandoned its rights and interest under this Easement if after January 1, 2009, Grantee fails for a continuous period in excess of twelve (12) consecutive months to use the Land, or some portion thereof, for at least one of the purposes authorized by this Easement. In such event, at Grantor's discretion, this Easement shall be subject to termination pursuant to Paragraph 15 below *unless* Grantee's non-use is the result of a court or administrative order or is otherwise involuntary, as set forth in an affidavit provided to Grantor by Grantee. Furthermore, no abandonment shall be deemed to have occurred as to any disturbed portion of Land that has not been fully reclaimed in accordance with this Easement.

13. **Relinquishment.**

A. Grantee may request relinquishment of this Easement, in whole or in part, by requesting such relinquishment in writing. Grantee shall not, by relinquishment, avoid or be released from any liability arising from or related to Grantee's use of the Land, including the duty to remove improvements and equipment and reclaim the Land. Upon relinquishment, Grantee shall not be entitled to any refund of money previously paid as Consideration under this Easement.

B. Notwithstanding the foregoing Paragraph 13.A, a relinquishment by Grantee of the Easement shall not be effective, and Grantor shall not have a right to possession or control of the Land and the improvements and equipment thereon, until the Facility has been decommissioned and all applicable federal and state licenses, including but not limited to the NRC License, have been terminated.

14. **Indemnity.** Grantee shall save and hold harmless, defend and indemnify the State of New Mexico, the Commissioner of Public Lands, and his agents or employees (collectively, "indemnitees"), in their official and individual capacities, from and against any and all liability, claims, losses, or damages arising out of or alleged to arise out of this Easement or the use and occupation of the Land by Grantee or Grantee's agents, licensees, permittees, employees, contractors (including subcontractors), and invitees; provided, however, that Grantee shall be under no obligation to indemnify or hold indemnitees harmless from: (i) liability, claims, losses or damages based on a third party claim that this Easement is invalid or void; and Grantee specifically waives any claims or damages against the Grantor arising out of or directly or indirectly related to third party claims that the Easement is invalid or void; or (ii) liability, claims, losses, or damages caused by the sole negligence or willful or intentional act(s) of indemnitees, or any of them. This Paragraph shall survive termination of this Easement.

15. **Termination.**

A. Grantor may terminate this Easement for material violation of any of the terms and conditions of this Easement ("default"); provided, however, that before any such termination shall become effective, Grantor shall mail to Grantee (or any approved assignee), by certified or registered mail addressed to the post office address of Grantee or such assignee shown by Land Office records, a sixty (60) day notice of default, specifying the default for which the Easement is subject to termination. No proof of receipt or further notice shall be necessary, and sixty (60) days after such mailing, this Easement shall terminate unless Grantee cures the

default within the sixty-day period; or, if the default cannot reasonably be remedied within sixty (60) days, Grantee submits for Grantor's approval within thirty (30) days of the default notice a plan for cure, including a schedule for expeditiously implementing such plan in order to cure the default as soon as reasonably possible. Grantor shall not unreasonably withhold approval of such plan. In the event of early termination of this Easement for any reason, Grantee shall not be entitled to any refund of money previously paid as consideration under this Easement, nor shall Grantee be relieved of its duty hereunder to remove its improvements and equipment and reclaim the Land in accordance with Paragraph 5 of this Easement.

B. Notwithstanding the foregoing Paragraph 15.A, a termination of this Easement shall not be effective, and Grantor shall not have a right to possession or control of the Land and the improvements and equipment thereon, until the Facility has been decommissioned and all applicable federal and state licenses, including but not limited to the NRC License, have been terminated.

16. **Amendment.** Any amendment of this Easement shall be in writing and shall be executed by each of Grantor and Grantee.

17. **Limitation on Disclosure.** Notwithstanding any other provision in this Easement, to the extent any obligation of Grantee under this Easement to disclose or otherwise tender to Grantor information or documents of any kind or to any other person ("Disclosure Obligation"), in Grantee's good faith judgment, based on written opinion of counsel, conflicts with, or is contrary to, Grantee's obligation under any Federal or state statute, regulation, policy, directive or order regarding safety, safeguards, security, national security or secrecy related to the Facility or otherwise to Grantee's activities on the Land ("Security Obligation"), the Security Obligation shall control; and Grantee shall not be required to comply with the Disclosure Obligation.

18. **Existing Leases and Rights of Way Not Affected.** This Easement does not modify or amend or change in any way those rights and obligations now or hereafter obtained by Grantee under separate instruments, including but not limited to (i) that certain Oil and Gas Lease No. B-4467 from Grantor to Gypsy Oil Company, to be assigned in part from Chevron U.S.A. Inc., successor in interest to Gypsy Oil Company, to Grantee; (ii) that certain Agricultural Lease No. GR-1855 from Grantor to Wallach Ranch, LLC, to be assigned in part to Grantee; and (iii) any other existing grants from Grantor or Grantee in the Land.

19. **Reporting.** Subject to the provisions in Paragraph 17 of this Easement, Grantee shall provide to Grantor copies of periodic reports made to NRC.

20. **Enforcement.** Venue for any court action brought by either party relating to this Easement shall be exclusively in New Mexico State Court, First Judicial District, Santa Fe County, New Mexico, after all administrative remedies are exhausted.

21. **Governing Law.** The provisions of this Easement shall be construed and enforced in accordance with New Mexico law.

22. **No Third Party Beneficiaries.** There are no third-party beneficiaries of any provision of this Easement.

23. **Exhibits.** All Exhibits attached to this Easement are incorporated herein by reference.

24. **Costs.** Grantee's performance of its obligations under this Easement shall be at Grantee's sole cost and expense.

25. **Severability.** If a court of competent jurisdiction determines that a provision or provisions of this Easement is or are invalid or illegal, such determination shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Easement absent such invalid or unenforceable provision(s) would destroy an essential purpose of this Easement, then this Easement shall be deemed modified to the extent necessary to make this Easement valid or enforceable consistent with its true intent.

26. **Conflict between Federal and State Law.** If there is a conflict between Federal Requirements or other federal law and State Requirements or other state law applicable to the Land and/or the Facility, or Grantee's use of them, such that Grantee cannot reasonably comply with both Federal Requirements or other federal law and State Requirements or other state law, Grantee shall not be deemed to be in "default" under this Easement (as defined in Paragraph 15.A hereof) if Grantee does not comply with State Requirements or other state law until a resolution of the conflict is, and Grantee's obligations are, finally determined by negotiation or agreement among Grantee and the relevant agencies or by a court of competent jurisdiction and last resort; provided that Grantee shall comply with rulings of a court of competent jurisdiction during the pendency of such conflict, unless such ruling(s) is appealed to, stayed by or otherwise abated by a court of competent jurisdiction or by operation of law.

If there is a dispute over whether Federal Requirements or other federal law or State Requirements or other state law apply to the to the Land and/or the Facility, or Grantee's use of them, Grantee shall not be in "default" under this Easement (as defined in Paragraph 15.A hereof) if Grantee does not comply with State Requirements or other state law during the pendency of the dispute, provided that Grantee shall comply with rulings of a court of competent jurisdiction during the pendency of such conflict, unless such ruling(s) is appealed to, stayed by or otherwise abated by a court of competent jurisdiction or by operation of law.

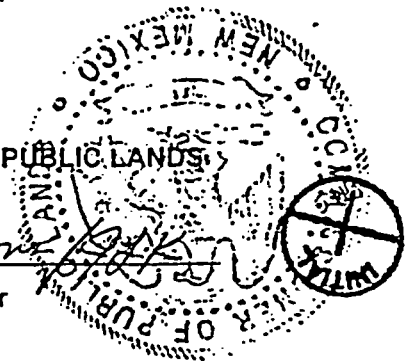
Grantee shall pay the costs and expenses, and shall bear any liability related to, resolution of conflicts between, and disputes regarding the applicability of, Federal Requirements or other federal law and State Requirements or other state law.

GRANTOR:

NEW MEXICO COMMISSIONER OF PUBLIC LANDS

By:

*Patrick H. Lyons*  
Patrick H. Lyons, Commissioner



GRANTEE:

LOUISIANA ENERGY SERVICES, L.P.

By: SEE ATTACHED SIGNATURE AND  
ACKNOWLEDGMENT PAGE

Exhibits

Exhibit A        =        Land subject to this Easement  
Exhibit B        =        Improvements

SIGNATURE PAGE - EASEMENT

LOUISIANA ENERGY SERVICES, L.P.

By: [Signature]  
Its: E. James Ferland, President

District of Columbia  
STATE OF )  
COUNTY OF ) ss. )

The foregoing instrument was acknowledged before me this 20th day of August, 2003, by E. James Ferland, President of LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership, on behalf of said limited partnership.

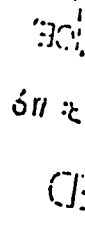
My Commission Expires:

12/14/2007

[Signature]



NOTARY PUBLIC  
ROXANNE B. RIKER  
Notary Public  
District of Columbia  
My Commission Expires December 14, 2007



## GL ENVIRONMENTAL INC.

## APPLICATION

FOR STATE OF NEW MEXICO LAND

TOWNSHIP 21 SOUTH, RANGE 38 EAST, N.M.P.M.

## SECTION 32

NE1/4-NE1/4  
NW1/4-NE1/4  
SW1/4-NE1/4  
SE1/4-NE1/4  
NE1/4-NW1/4  
NW1/4-NW1/4  
SW1/4-NW1/4  
SE1/4-NW1/4  
NE1/4-SE1/4  
NW1/4-SE1/4  
SW1/4-SE1/4  
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SE1/4-SW1/4

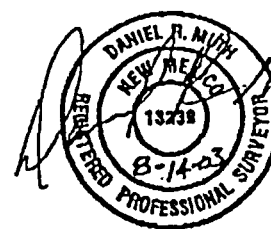
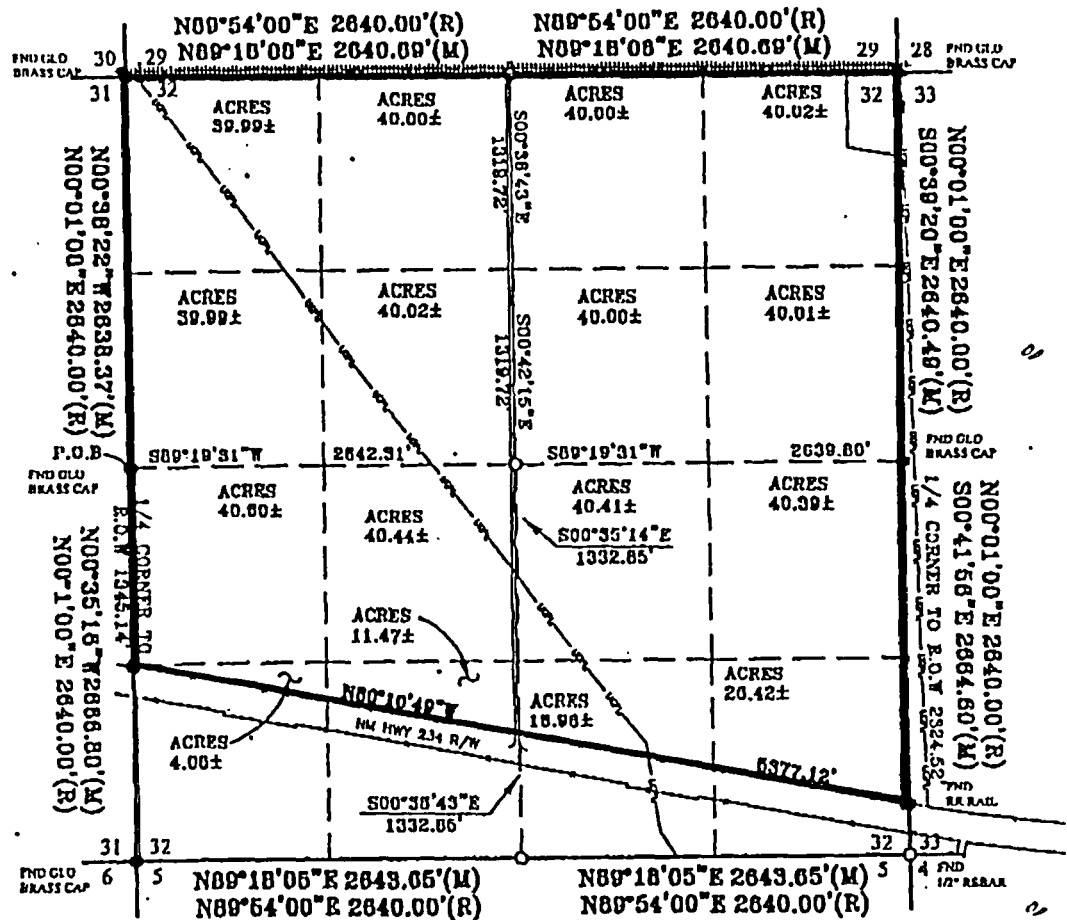
LEA COUNTY, NEW MEXICO

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STATE OF NEW MEXICO  
SANDIA COUNTY



42974

EXHIBIT "A"



0' 500 1000 2000

— 181 — UNDERGROUND TELECOM

By _____, Deputy

PROJ. No.	2003.1076	DRN BY:	C. JOHNSON
DWG	SurveyGLEnvironmentalNDD532721R38E.dwg		
BOOK	LEA CO. #1	SHT.	1 of 2

BOOK 1279 PAGE 403

## LEGAL DESCRIPTION

TRACT OF LAND WITHIN SECTION 32, TOWNSHIP 21 SOUTH, RANGE 38 EAST, NEW MEXICO PRINCIPAL  
 JUAN, LEA COUNTY, NEW MEXICO.

BEGINNING at the one-quarter corner between Sections 31 and 32, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29, (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33, (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING

Said Parcel CONTAINS 542.80 ACRES more or less

## CERTIFICATE OF SURVEY-

"I, Daniel R. Muth, New Mexico Professional Surveyor, hereby certify that this Boundary Survey Plat was prepared from an actual ground survey performed by me or under my supervision, that this survey is true and correct to the best of my knowledge and belief, that this Boundary Survey Plat and the field survey upon which it is based meet the Minimum Standards for Surveying in New Mexico, and that this survey is not a land division or subdivision as defined in the New Mexico Subdivision Act. This is a Boundary Survey Plat of an existing tract or tracts.

Daniel R. Muth NMPS# 13239



RECEIVED  
 2003 AUG 23 PM 3:49  
 Date  
 STATE OFFICE  
 14 Aug 2003

(5521)

State of New Mexico, County of Lea, I hereby certify that this instrument was filed for record on:

The 14th Day of August, 20 03 A.D.

At 8:55 O'clock A.M.

Book 1 Page 566

By Melinda A. Hughes, County Clerk

By R. J. Dawson, Deputy

## PETTIGREW AND ASSOCIATES

1110 N. GRANT  
 (505) 393-9127

0	08/14/2003	PLOTTED
00	08/13/2003	PRELIMINARY PLAT
01/11/2003-08/12/2003	DATE OF SURVEY	
REV	DATE	DESCRIPTION

INDEXING INFORMATION  
FOR COUNTY CLERK

OWNER: STATE OF NEW MEXICO  
 LOC SEC. 32 T21S R38E

PLAT OF BOUNDARY SURVEY FOR  
 GL ENVIRONMENTAL INC.  
 4200 MEADOWLARK LANE  
 RIO RANCHO, NEW MEXICO 87124

PROJ. No.	12003.1076	DRN BY:	C. JOHNSON
DWG	Survey GL Environmental LDDSS32T21R38E.dwg		
BOOK	LEA CO. #1	SHEET	2 of 2

50770

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

at 11:46 o'clock A.M  
and recorded in Book 1279  
Page 388  
Melinda Hughes, Clerk  
By [Signature] Deputy



RECEIVED

LURC #3  
ALLNEW MEXICO STATE  
COMMISSIONER OF PUBLIC LANDS  
AGREEMENT REGARDING LAND USE RESTRICTION OR CONDITIONJUN 20 PM 3 22  
STATE LAND OFFICE

This Agreement Regarding Land Use Restriction or Condition ("Agreement") is entered into effective August 22, 2003 by and between the New Mexico Commissioner of Public Lands (together with its successors and assigns, "Commissioner") and Louisiana Energy Services, L.P., a Delaware limited partnership (together with its successors and assigns, "LES") whose address is 1133 Connecticut Ave. NW, Suite 200, Washington, D.C. 20036.

## RECITALS

A. On August 22, 2003, the Commissioner executed Grant of Easement and Right of Way No. 28583 pursuant to which the Commissioner granted to LES an easement and right-of-way over, on and to the land described in Exhibit A to this Agreement ("Land").

B. Paragraph 6.C of the Grant of Easement and Right of Way provides that, subject to certain terms and conditions, the Commissioner shall execute and record in the records of the State Land Office a Land Use Restriction or Condition that provides that, absent LES's prior written consent, (i) the Commissioner shall neither exercise the Commissioner's rights under Paragraph 6.B(1) of the Grant of Easement and Right of Way nor exercise the Commissioner's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under or over the Land, including without limitation, the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals during the term of the Grant of Easement and Right of Way.

C. The Commissioner and LES are entering into this Agreement pursuant to Paragraph 6.C of the Grant of Easement and Right of Way.

## AGREEMENT

NOW, THEREFORE, FOR GOOD AND ADEQUATE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS ACKNOWLEDGED, THE COMMISSIONER AND LES AGREE:

1. Absent LES's prior written consent, (i) the Commissioner shall neither exercise the Commissioner's right to explore for, mine, develop and produce minerals such as sand and gravel, coal, caliche, humate, oil and gas or other minerals related to the Land nor exercise the Commissioner's right to lease or otherwise dispose of or encumber the Land or any interest incident thereto, for any purpose, or grant additional easements, rights-of-way and grants across, under or over the Land, including for the development of any sand and gravel, coal, caliche, humate, oil and gas or other minerals and (ii) there shall be no surface disturbance of the Land and no right to explore for, mine, develop and/or produce oil, geothermal resources, gas and/or minerals related to the Land during the term of the Grant of Easement and Right of Way.

2. As good and adequate consideration for this Agreement, LES shall pay to the Commissioner Five Thousand and no/100 Dollars (\$5,000.00) per year, beginning on August 22 of 2008 and continuing on August 22 of each year thereafter up to and including August 22 of 2037, or of each year in succession thereafter during which Grantee occupies and uses the Land, unless the Grant of Easement and Right of Way is earlier terminated or relinquished.

3. This Agreement shall be recorded in the records of the State Land Office and in the real property records of Lea County, New Mexico.

H:\NJAV\4275\43468\docs\LURC NJA 11-19-03.doc

4. The term shall begin on the date on which the Commissioner executes this Agreement and shall end on August 22, 2038, or so long thereafter as LES occupies and uses the Land, unless the Grant of Easement and Right of Way is earlier terminated or relinquished; provided that if the Grant of Easement and Right of Way is terminated by a sale or exchange of the Land to LES or to Lea County, New Mexico, (a) both the restrictions and conditions in this Agreement and LES's obligation to pay the consideration therefor in the amount, and for the time, set forth in this Paragraph shall survive and (b) the instrument conveying the Land shall expressly recite the restrictions set forth in this Agreement.

5. If a court of competent jurisdiction determines that a provision or provisions of this Easement is or are invalid or illegal, such determination shall not invalidate or render unenforceable any other provision hereof; provided, however, that if enforcement of this Easement absent such invalid or unenforceable provision(s) would destroy an essential purpose of this Easement, then this Easement shall be deemed modified to the extent necessary to make this Easement valid or enforceable consistent with its true intent.

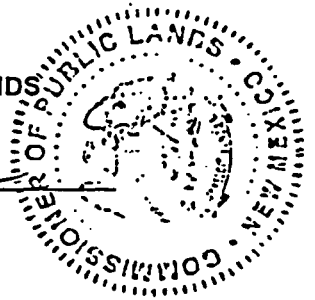
6. This Agreement shall be binding upon, and shall inure to the benefit of, the Commissioner and LES and their respective assigns and successors in interest.

Executed in duplicate.

NEW MEXICO COMMISSIONER OF PUBLIC LANDS

By: Patrick H. Lyons

Patrick H. Lyons, Commissioner



THIS SPACE INTENTIONALLY LEFT BLANK

LES SIGNATURE PAGE FOR LURC

LOUISIANA ENERGY SERVICES, L.P.

By:   
E. James Ferland, President

DISTRICT OF COLUMBIA

)  
) ss.  
)

This instrument was acknowledged before me on November 19, 2003 by E. James Ferland, President of LOUISIANA ENERGY SERVICES, L.P. a Delaware limited partnership.

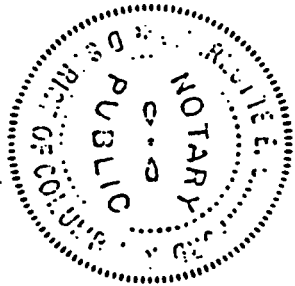
  
NOTARY PUBLIC

My commission expires:

February 28, 2008

Exhibit A

Land subject to this Agreement



GL ENVIRONMENTAL INC.

APPLICATION

FOR STATE OF NEW MEXICO LAND

TOWNSHIP 21 SOUTH, RANGE 38 EAST, N.M.P.M.

SECTION 32

NE1/4-NE1/4

NW1/4-NE1/4

SW1/4-NE1/4

SE1/4-NE1/4

NE1/4-NW1/4

NW1/4-NW1/4

SW1/4-NW1/4

SE1/4-NW1/4

NE1/4-SE1/4

NW1/4-SE1/4

SW1/4-SE1/4

SE1/4-SE1/4

NE1/4-SW1/4

NW1/4-SW1/4

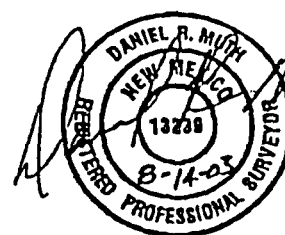
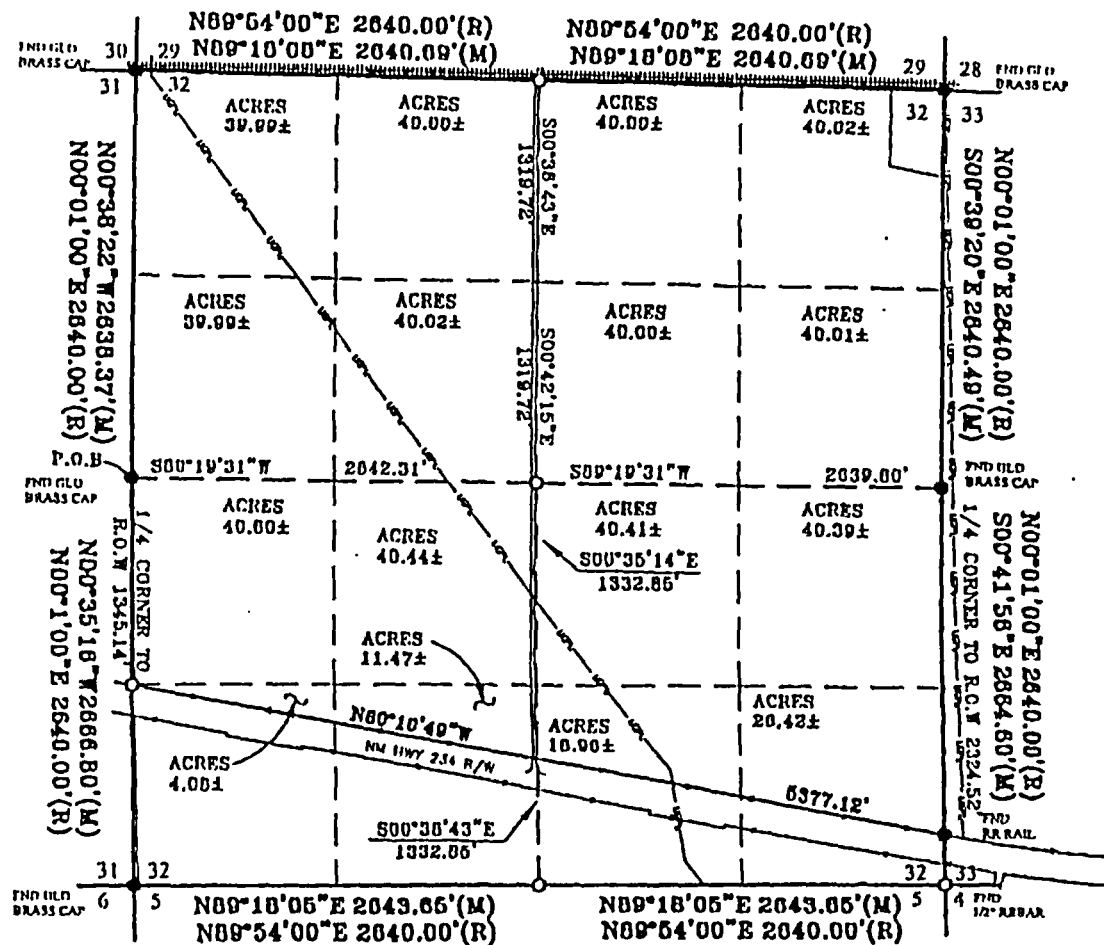
SW1/4-SW1/4

SE1/4-SW1/4

LEA COUNTY, NEW MEXICO

42974

## EXHIBIT "A"



SCALE 1" = 1000  
0' 500 1000 2000

LEGEND  
○ 3rd MONUMENT 5/8" BRASS W/ 1" ALUM CAP MARKED "MUTH PLS 13119"  
● FOUND MONUMENT AS NOTED  
---X--- DASHED WORK FENCE  
||||| RAILROAD  
---UGP--- UNDERGROUND PIPE LINE  
---UTL--- UNDERGROUND TELECOM

State of New Mexico, County of _____, I here by certify that this instrument was filed for record on:

The _____ Day of _____, 20 ____ A.D.

At _____ O'Clock _____ M.

Book _____ Page _____

By _____, County Clerk

By _____, Deputy

PETTIGREW AND ASSOCIATES

1110 N. WARDEN ST. ALBUQUERQUE, N.M. 87102  
(505) 255-0227

0	08/14/2003	FLOTTED
00	08/13/2003	PRELIMINARY PLAT
18/11/2003-08/12/2003	DATE OF SURVEY	
31/1/	DATE	DESCRIPTION

INDEXING INFORMATION FOR COUNTY CLERK

OWNER: STATE OF NEW MEXICO  
LOC: SEC. 32 T21S R31E

Exhibit A

PLAT OF BOUNDARY SURVEY FOR  
GL ENVIRONMENTAL INC.  
4200 MEADOWLARK LANE  
RIO RANCHO, NEW MEXICO 87124

PROJ. No.	2003.1076	DRN BY:	C. JOHNSON
DWG	Survey of Environment	FILED BY:	J. JOHNSON
BOOK	LBA CO. #1	SHEET	1 of 2



# LEGAL DESCRIPTION

A PARCEL OF LAND WITHIN SECTION 32, TOWNSHIP 21 SOUTH, RANGE 38 EAST, NEW MEXICO PRINCIPAL M² INDIAN, LEA COUNTY, NEW MEXICO.

BEGINNING at the one-quarter corner between Sections 31 and 32, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30, (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29, (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33, (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING

Said Parcel CONTAINS 542.80 ACRES more or less

## CERTIFICATE OF SURVEY-

"I, Daniel R. Muth, New Mexico Professional Surveyor, hereby certify that this Boundary Survey Plat was prepared from an actual ground survey performed by me or under my supervision, that this survey is true and correct to the best of my knowledge and belief, that this Boundary Survey Plat and the field survey upon which it is based meet the Minimum Standards for Surveying in New Mexico, and that this survey is not a land division or subdivision as defined in the New Mexico Subdivision Act. This is a Boundary Survey Plat of an existing tract or tracts.

*[Signature]*  
Daniel R. Muth NMPS# 13239



*14 Aug 2003*  
Date

42974  
(5521)

State of New Mexico, County of Lea, I hereby certify that this instrument was filed for record on:  
The 14th Day of August, 2003 A.D.  
At 8:55 O'clock A.M.  
Book 1 Page 566  
By Melinda Hughes, County Clerk  
By R. Johnson, Deputy

PETTIGREW AND ASSOCIATES		
1110 N. UNIKES (505) 393-9227		
0	08/14/2003	PLOTTED
00	08/13/2003	PRELIMINARY PLAT
08/11/2003-08/12/2003	DATE OF SURVEY	
REV	DATE	DESCRIPTION

INDEXING INFORMATION FOR COUNTY CLERK	
OWNER: STATE OF NEW MEXICO	
LOC: SEC. 32 T21S R38E	
Exhibit A	
Page 3 of 3	

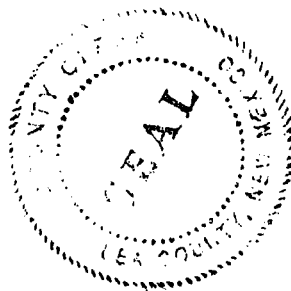
PLAT OF BOUNDARY SURVEY FOR GL ENVIRONMENTAL INC.			
4200 MEADOWLARK LANE			
RIO RANCHO, NEW MEXICO 87124			
PROJ. No.	2003.1078	DRN BY:	C. JOHNSON
DWG	Survey of Environmental	FILED BY:	13239
BOOK	LEA CO. #1	8/11/03	2 of 2

BOOK 1279 PAGE 411

50771

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

at 11:46 JAN 22 2004  
and recorded in Book 1279 M  
Page 412  
Melinda Hughes, County Clerk  
By [Signature] Deputy



50772

Misc. Inst. 1125

## ASSIGNMENT

RECEIVED

2004 JAN 23 AM 10 29

This Assignment (the "Assignment") is entered into as of the date of execution by all parties hereto by and between, as assignor, Louisiana Energy Services, L.P., a Delaware limited partnership with an address of One Sun Plaza, 100 Sun Lane NE, Suite 204, Albuquerque, New Mexico 87109 ("LES" or "Assignor"), and, as assignee, Lea County, a political subdivision of the State of New Mexico acting through its Board of County Commissioners on behalf of Lea County (collectively, the "County" or "Assignee"). Assignor and Assignee agree as set forth below.

## RECITALS

A. By the terms of that certain State of New Mexico Commissioner of Public Lands Grant of Easement and Right of Way effective August 22, 2003 (collectively, the "Easement"), recorded on January 22, 2004, in the real property records of Lea County, New Mexico, in Book 1279, at Pages 388 - 405, as Document No. 50770, the New Mexico Commissioner of Public Lands (together with successors and assigns, the "Commissioner" or "Grantor"), in his capacity as trustee of the land trust established by the Enabling Act (Act of June 20, 1910, 36 Statutes at Large 557, Chapter 310) and that trust's assets (the land trust and its assets, collectively referred to as the "Trust"), granted to LES (together with its successors and assigns, "Grantee"), an easement and right of way in and to the real property described in Exhibit "A" attached to this Assignment.

B. In Paragraph 11 of the Easement, the Commissioner as "Grantor ... consents to ... Grantee's [LES'] assignment of [the] Easement, or a leasehold or other interest in [the] Easement, to [the County] and to the County's grant to Grantee [LES], or

CERTIFICATION 1125  
I certify that the foregoing instrument is a true and exact photocopy of the original in my custody and on file in the State Land Office.  
Date: 1-23-2004  
Patricia H. Thomas  
Commissioner of Public Lands

its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in [the] Easement and pursuant to both the County Industrial Bond Revenue Act, Chapter 4, Article 59 NMSA 1978, as amended [(the "Industrial Bond Revenue Act")], and other applicable law, if any; provided, that such assignment shall not diminish, alter, or affect Grantee's [LES'] duties, liability, or responsibilities under [the] Easement ...."

C. In connection with an industrial revenue bond to be issued by the County for the benefit of LES under the Industrial Bond Revenue Act, LES has determined to assign certain of its interests in the Easement to the County, for the purposes authorized in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement.

NOW THEREFORE, LES, as Assignor, hereby assigns, grants, transfers, and sets over to the County, as Assignee, all of the interest of LES in the Easement, as consented to by the Commissioner in Paragraph 11 of the Easement, for the purposes authorized in the Easement, including, without limitation, for the purpose of the construction and operation of a gas centrifuge uranium enrichment facility by LES as agent for the County, as more particularly described in Paragraph 4 of the Easement, subject to the reservations set forth in the Easement and in the following paragraph, with the understanding that the County shall lease back all its interest in the Easement to LES under the terms of that certain Lease and Purchase Agreement dated January 22, 2004, between the County and LES.

This Assignment is subject to Assignor's reservation onto itself of the following interests in and under the Easement, which are not assigned, granted, or set over to the

I certify that the foregoing instrument is a true and exact photocopy of the original in my custody and on file in the State Land Office.  
 Date: 7-23-2004  
 CERTIFICATION 1125  
 containing 6 page(s)  
 Fabricio H. Pineda  
 Commissioner of Public Lands

County hereunder and which interests therefore are not transferred to the County hereunder, but, rather, are reserved and retained by LES:

- a. Rights of LES under Subparagraph C of Paragraph 6 of the Easement and under that certain Land Use Restriction or Condition, referred to in said Subparagraph C, entered into effective August 22, 2003 between LES and the Commissioner recorded in the real property records of Lea County, New Mexico, in Book 1219, at Pages 406 - 412, as Document No. 50771; and
- b. Rights of LES, as set forth under Paragraphs 9, 11, 12, 13, 16, 17, 18, and 26 of the Easement.

Under this Assignment, LES is assigning, granting, transferring, and setting over to the County certain of its interests as described hereinabove, provided that LES has not assigned or delegated any of its duties, liabilities or responsibilities under the Easement to the County, and upon consummation of this Assignment, none of LES' duties, liabilities or responsibilities under the Easement shall be diminished, altered or affected by the terms of this Assignment.

I certify that the foregoing instrument is a true and exact photocopy of the original in my custody and on file in the State Land Office.  
Date: 1-28-2004


CERTIFICATION 1125

6 pages(s)

Commissioner of Public Lands

**ASSIGNOR:**

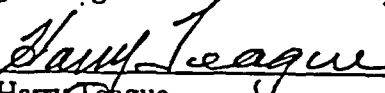
**LOUISIANA ENERGY SERVICES, L.P.,**  
a Delaware limited partnership

By:   
E. James Ferland  
President and Chief Executive Officer

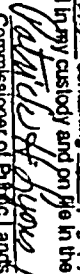
Date: January 20, 2004

**ASSIGNEE:**

**LEA COUNTY, NEW MEXICO,**  
a political subdivision of the State of New Mexico  
acting through its Board of County Commissioners

By:   
Harry Teague  
Chairman of the Board of County  
Commissioners

Date: January 20, 2004

CERTIFICATION 1125  
I certify that the foregoing instrument, 1125, containing 6 page(s)  
is a true and exact photocopy of the original in my custody and on file in the  
State Land Office.  
Date: 1-23-2004  
  
Patricia H. Brown  
Commissioner of Public Lands

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

This instrument was acknowledged before me on January 20, 2004, by E. James Ferland, as President and Chief Executive Officer of Louisiana Energy Services, L.P., a Delaware limited partnership.

*Michael Del Valle*  
 Notary Public

My commission expires:

May 18, 2007

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

This instrument was acknowledged before me on January 20, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.

*Michael Del Valle*  
 Notary Public

My commission expires:

May 18, 2007

CERTIFICATION  
 I certify that the foregoing instrument is a true and exact photocopy of the original in my custody and on file in the State Land Office.  
 Date: 1-23-2004

1125  
Patricia H. Payne  
 Commissioner of Public Lands

EXHIBIT A

DESCRIPTION OF PROJECT SITE

JAN 22 2004 A  
at 11:41 o'clock  
and recorded in Book 1279  
Page 413  
Melinda Hughes Lea County Clerk  
By [Signature] Deputy

The Project Site consists of the following:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico.

BEGINNING at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

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I certify that the foregoing instrument is a true and exact photocopy of the original in my custody and on file in the State Land Office.  
Date 1-23-2004

CERTIFICATION

Commissioner of Public Lands



## ASSIGNMENT

This Assignment (the "Assignment") is entered into as of the date of execution by all parties hereto by and between, as assignor, Louisiana Energy Services, L.P., a Delaware limited partnership with an address of One Sun Plaza, 100 Sun Lane NE, Suite 204, Albuquerque, New Mexico 87109 ("LES" or "Assignor"), and, as assignee, Lea County, a political subdivision of the State of New Mexico acting through its Board of County Commissioners on behalf of Lea County (collectively, the "County" or "Assignee"). Assignor and Assignee agree as set forth below.

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its designee, of a lease, license, permit or other authorization to use the Easement, or such interest in the Easement, for the purposes authorized in [the] Easement and pursuant to both the County Industrial Bond Revenue Act, Chapter 4, Article 59 NMSA 1978, as amended [(the "Industrial Bond Revenue Act")], and other applicable law, if any; provided, that such assignment shall not diminish, alter, or affect Grantee's [LES'] duties, liability, or responsibilities under [the] Easement ...."

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County hereunder and which interests therefore are not transferred to the County hereunder, but, rather, are reserved and retained by LES:

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Under this Assignment, LES is assigning, granting, transferring, and setting over to the County certain of its interests as described hereinabove, provided that LES has not assigned or delegated any of its duties, liabilities or responsibilities under the Easement to the County, and upon consummation of this Assignment, none of LES' duties, liabilities or responsibilities under the Easement shall be diminished, altered or affected by the terms of this Assignment.

**ASSIGNOR:**


**LOUISIANA ENERGY SERVICES, L.P.,  
a Delaware limited partnership**

By:   
E. James Ferland  
President and Chief Executive Officer

Date: January 20, 2004

**ASSIGNEE:**

**LEA COUNTY, NEW MEXICO,  
a political subdivision of the State of New Mexico  
acting through its Board of County Commissioners**

By:   
Harry Teague  
Chairman of the Board of County  
Commissioners

Date: January 20, 2004

STATE OF NEW MEXICO                    )  
                                                  ) ss.  
COUNTY OF SANTA FE                    )

This instrument was acknowledged before me on January 22, 2004, by E. James Ferland, as President and Chief Executive Officer of Louisiana Energy Services, L.P., a Delaware limited partnership.

  
Notary Public



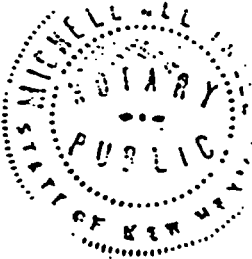
My commission expires:

May 18, 2007

STATE OF NEW MEXICO                    )  
                                                  ) ss.  
COUNTY OF SANTA FE                    )

This instrument was acknowledged before me on January 22, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.

  
Notary Public



My commission expires:

May 18, 2007

## EXHIBIT A

### DESCRIPTION OF PROJECT SITE

The Project Site consists of the following:

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BEGINNING at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

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THENCE N 89°18'08"E along the section line between sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East, and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 to the POINT OF BEGINNING.

50772

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

at 11:46 o'clock A  
and recorded in Book 1279  
Page 413  
Melinda Hughes, Lea County Clerk  
By OSPAK Deputy



85  
38

50773

LEA COUNTY, NEW MEXICO

AND

LOUISIANA ENERGY SERVICES, L.P.,  
a Delaware limited partnership

---

LEASE AND PURCHASE AGREEMENT

---

Dated January 22, 2004

\$1,800,000,000  
Lea County, New Mexico  
Industrial Revenue Bond  
(National Enrichment Facility Project)  
Series 2004



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THIS LEASE AND PURCHASE AGREEMENT is made this 22nd day of January, 2004 between the LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico acting through its Board of County Commissioners (together with its successors and assigns, the "Issuer"), and LOUISIANA ENERGY SERVICES, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (together with its successors and assigns, the "Company").

## ARTICLE I - RECITALS

Section 1.1 Recitals. Capitalized words and terms that are not defined in the Recitals below are defined as provided in Section 2.1 hereof.

A. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59, NMSA 1978 Compilation, as amended (the "Act"), Lea County is authorized to acquire industrial revenue projects to be located within Lea County outside the boundaries of any incorporated municipality for the purpose of promoting industry and trade by inducing manufacturing, industrial and commercial enterprises to locate or expand in the State of New Mexico, and promoting a sound and proper balance in the State of New Mexico between agriculture, commerce, and industry.

B. The Company has presented to the County a proposal (the "Project Plan") under which the Issuer would issue its Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 in the maximum aggregate principal amount of \$1,800,000,000 (the "Bond") to accomplish the acquisition, construction and installation of a project under the Act (the "Project," as more specifically defined in Section 2.1 below).

C. Following review of the Project Plan, and in order to promote the local health and general welfare, safety, convenience, and prosperity of the inhabitants of Lea County, the Issuer deems it desirable and appropriate, and in accordance with the purposes of the Act, to issue the Bond and make the proceeds thereof available to the Company pursuant to this Lease and Purchase Agreement for the purposes described herein and in the Indenture.

D. The Board of County Commissioners of Lea County has adopted Ordinance No. 58, which authorizes the acquisition of the Project subject to the terms of this Lease, and the issuance of the Bond.

E. The Bond is to be issued under an Indenture dated the Closing Date (together with any and all amendments and supplements thereto, the "Indenture") among the Issuer, NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assignees, and permitted transferees of the Bond, the "Purchaser"), and Bank of Albuquerque, N.A., as depository (the "Depository").

F. The proceeds of the Bond will be used to finance the acquisition, construction and installation of the Project. The Project is to be leased to the Company under this Lease and Purchase Agreement dated the Closing Date.

G. The Bond is to be purchased under a Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company.

H. The Bond to be issued under the Indenture will be a special limited obligation of the Issuer payable as provided therein. The Bond will not constitute a debt or pledge of the credit of the Issuer, and the Purchaser will have no right to have taxes levied by the Issuer or to require the Issuer to use any revenues for the payment of the Bond, except for the Revenues (but excluding the Additional Payments).

## ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 2.1 Definitions. All capitalized words and terms defined in the Indenture have the same meanings when used in this Lease. In addition to the definitions in the Recitals in Section 1.1 hereof, the capitalized words and terms used in this Lease shall have the following meanings:

"Acquisition Account" has the meaning assigned in the Indenture.

"Additional Payments" has the meaning assigned in Section 5.3(b) hereof.

"Authorized Company Representative" has the meaning assigned in the Indenture.

"Authorized Issuer Representative" means the Chairman and Vice Chairman of the Board of County Commissioners of Lea County, New Mexico, or any one of the persons at the time designated to act on behalf of the Issuer in a certificate furnished to the Company and the Depository containing the specimen signatures of such persons and signed on behalf of the Issuer by the Chairman of the Board of County Commissioners.

"Basic Rent" has the meaning assigned in Section 5.3(a) hereof.

"Bond Documents" means, collectively, this Lease, the Indenture and the Bond Purchase Agreement.

"Bond Ordinance" means the Issuer's Ordinance No. 58, adopted December 16, 2003.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated the Closing Date among the Issuer, the Purchaser and the Company, together with any and all amendments and supplements thereto.

"Business Day" has the meaning assigned in the Indenture.

"By-Product Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "byproduct material," such broader meaning will apply subsequent to the effective date of such amendment

"Completion Date" has the meaning assigned in Section 4.1(c) hereof.

"Closing Date" means the date of issuance of the Bond.

"Easement" means and refers to that Grant of Easement and Right-of-Way effective August 22, 2003, from the New Mexico Commissioner of Public Lands, as grantor, to the Company, as grantee, permitting the Company to use and occupy the real property subject to the easement and to lease its interest thereunder to the Issuer for purposes of the Project, to wit: that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located in Lea County as described in Exhibit A attached hereto, and by this reference made a part hereof, as the Project Site, pending the acquisition of fee ownership of such real property by the Company.

"Eminent Domain" means the taking of title to, or the temporary use of, all or any part of the Project Property pursuant to eminent domain or condemnation proceedings, or by any settlement or compromise of such proceedings, or any voluntary conveyance of all or any part of the Project Property during the pendency of, or as a result of a threat of, such proceedings.

"Environmental Laws" means any laws, statutes, regulations, orders or rules pertaining to health or the environment that are applicable from time to time to the Project Site, the construction and installation of the Improvements, the operation, use and decommissioning of, and storage at, the Project Property, including, without limitation, the Atomic Energy Act of 1954, as amended ("AEA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976 ("RCRA"), the National Environmental Policy Act, the Clean Air Act, the Clean Water Act, the Water Quality Act of 1987, the National Historic Preservation Act, the New Mexico Water Quality Act, the New Mexico Hazardous Waste Act, the New Mexico Air Quality Control Act and the New Mexico Radiation Protection Act.

"Equipment" means all equipment, fixtures and furnishings, and all other personal property of any kind that is subject to depreciation for federal income tax purposes and is suitable for use and used as part of the Project, and that is purchased with Bond proceeds, or the purchase of which by the Company is reimbursed with Bond proceeds, together with equipment, fixtures, furnishings and other depreciable personal property that are in replacement thereof due to damage or obsolescence.

"Event of Default" has the meaning assigned in Section 8.1 hereof.

"Hazardous Material" means (i) "hazardous materials," "hazardous substances," "hazardous wastes" as defined in the Environmental Laws and (ii) any other material regulated under the Environmental Laws.

"Improvements" means all buildings, structures and other improvements existing or to be constructed on the Project Site by the Company as agent for the Issuer in connection with the Project, together with related demolition and site work, and Equipment.

"Inducement Resolution" means the Issuer's Resolution No. 2003-Aug-027R, adopted on August 5, 2003, which resolution declared the intent of the Issuer, subject to the satisfaction of certain conditions, to issue the Bond.

"Indemnatee" has the meaning assigned in Section 6.3 hereof.

"Lease" means this Lease and Purchase Agreement dated the Closing Date between the Issuer and the Company, together with any and all amendments and supplements thereto.

"Licensing Approvals" has the meaning assigned in Section 4.1(a) hereof.

"NMSA 1978" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and superseded by subsequent compilations.

"NRC" means the Nuclear Regulatory Commission or its duly authorized representative.

"NRC License" means the license to be issued by the NRC authorizing the Company to construct, occupy, operate and use the Project, including but not limited to all necessary storage in connection with such operation and use.

"Permitted Liens" means, as of the date of delivery of this Lease, the liens and encumbrances shown in Exhibit B attached hereto, and by this reference made a part hereof, and, as of any particular time, (i) liens for taxes and special assessments, if any, to the extent permitted in Section 4.9, (ii) this Lease and any assignment of lease permitted by this Lease and the Indenture and any supplements thereto, (iii) easements, licenses, rights-of-way and other rights or privileges in the nature of easements permitted in Section 4.13, (iv) mechanics', materialmen's, carriers' and other similar liens to the extent permitted in Section 4.17, (v) liens and other encumbrances placed by the Issuer and/or the Company on the Project Property in connection with obtaining the Project Financing, and (vi) such minor defects, irregularities, encumbrances, easements, rights-of way and clouds on title to the Project Property as normally exist with respect to similar properties and as do not, individually or in the aggregate, materially impair the Project Property for the purpose for which it is used by the Company or materially detract from the value of the Project Property.

"Proceeds" means, when used with respect to any insurance proceeds or any award resulting from, or other amount received in connection with, Eminent Domain, the gross proceeds from the insurance or such award or other amount.

"Project" means, as the context requires, (i) the acquisition of an interest in the Project Site and the acquisition, construction and installation of Improvements in connection with the establishment of a uranium enrichment facility by the Company as agent for the Issuer, including related buildings, storage, infrastructure, equipment and other improvements on the Project Site and the operation and decommissioning of such facility by the Company as agent for the Issuer, or (ii) the final products of the actions described in the foregoing clause (i), or both meanings of the foregoing clauses (i) and (ii).

"Project Financing" means a transaction or series of transactions to which the Company is a party occurring after the Closing Date for the purpose of obtaining the necessary financing for the Project.

"Project Property" means the Project Site and the Improvements.

"Project Site" means that portion of Section 32, Township 21 South, Range 38 East, N.M.P.M., located within Lea County and not within the boundaries of any incorporated municipality in the County, as more specifically described in Exhibit A, provided that until such time as the Company obtains fee title to the real property described in Exhibit A, "Project Site" shall mean the rights and interests of the Company under the Easement, which contemplates the use and occupancy of the real property described in Exhibit A, for purposes authorized in the Easement, including but not limited to the issuance of the Bond and the acquisition, construction and installation of the Project.

"Related Costs" has the meaning assigned in the Indenture.

"Rent" means Basic Rent, any Additional Payments and any other amount payable by the Company under this Lease.

"Source Material" shall have the meaning specified in the federal Atomic Energy Act of 1954, as amended ("AEA") provided that in the event the AEA is amended so as to broaden the meaning of "source material," such broader meaning will apply subsequent to the effective date of such amendment

"Special Nuclear Material" shall have the meaning specified in the AEA provided that in the event the AEA is amended so as to broaden the meaning of "special nuclear material," such broader meaning will apply subsequent to the effective date of such amendment

"State" means the State of New Mexico.

"Term" means the period from the date of the execution and delivery of this Lease by the Issuer and the Company (a) to the earlier of the date of Payment of the Bond (as defined in the Indenture) upon (i) maturity of the Bond on the anniversary of the Closing Date in 2034 ("maturity date") or (ii) redemption of the Bond in whole prior to the maturity date; or (b) to the date the Company sends a notice of termination to the Issuer and the Purchaser and Depository as provided in Article V of the Indenture on the grounds that the NRC License will not be issued.

"TRD" means the New Mexico Taxation and Revenue Department.

"Unassigned Rights" means the Issuer's rights to enforce any of the obligations which the Company is responsible for performing on behalf of or for the benefit of the Issuer, pursuant to Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

"Unassigned Rights Obligations" means the Company's obligations set forth in Sections 4.5, 4.15, 5.3(b), 6.3, 6.11, and 8.4 of this Lease.

## **Section 2.2 Rules of Construction.**

(a) All references in this Lease to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Lease unless some other reference is established.

(b) Any inconsistency between the provisions of this Lease and the provisions of the Indenture will be resolved in favor of the provisions of the Indenture.

### ARTICLE III - REPRESENTATIONS

Section 3.1 Issuer Representations. The Issuer represents that, as of the Closing Date:

(a) The Issuer is a governmental subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico and has the power to enter into the transactions contemplated by this Lease and the Indenture and to carry out its obligations under this Lease and the Indenture.

(b) The Issuer has duly authorized the execution, delivery and performance of the Bond Documents and the issuance of the Bond all for the purpose of financing the Project and paying certain costs related to the issuance of the Bond.

(c) To finance the Project, the Issuer will issue the Bond with the terms set forth in the Indenture. The Bond will be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Lease and the Revenues (but excluding Additional Payments) will be pledged and assigned to the Purchaser as security for the payment of the Bond.

(d) The execution, delivery and performance by the Issuer of the Bond Documents will not conflict with or create a material breach of or a material default under the Act or any other law, rule, regulation or ordinance applicable to the Issuer or any agreement or instrument to which the Issuer is a party or by which it is bound, and there is no action, suit, proceeding, inquiry or investigation by or before any court, public board or body, pending or, to the best knowledge of the Issuer, threatened, against the Issuer, which seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents or in any manner questions the validity or enforceability of the Bond or any of the Bond Documents.

(e) The Issuer has no power under the Act to operate the Project as a business or otherwise or to use or acquire the Project Property for any purpose, except as lessor thereof under the terms of this Lease.

Section 3.2 Company Representations. The Company represents that, as of the Closing Date:

(a) The Company is a limited partnership organized and validly existing under the laws of Delaware, is registered as a foreign limited partnership in the State, is in good standing under the laws of the State, and has duly authorized the execution, delivery and performance of this Lease and the Bond Purchase Agreement.

(b) The Company has full right, power and authority to approve the execution, delivery and performance of this Lease and the Bond Purchase Agreement and to perform its obligations under this Lease and the Bond Purchase Agreement.



(c) The execution, delivery and performance by the Company of this Lease and the Bond Purchase Agreement, and the application by the Company of the proceeds of the issuance and sale of the Bond as provided in the Bond Documents, do not and will not conflict with, contravene, violate or constitute a breach of or a default under its certificate of limited partnership or partnership agreement or any other agreement or instrument to which the Company is a party or by which the Company or any of its property is bound or any law, rule, regulation, decree or order applicable to the Company; nor will such execution, delivery, and performance result in the imposition of liens or other encumbrances on any of the Company's properties other than Permitted Liens and the liens created by the Bond Documents.

(d) When executed and delivered, the Bond Purchase Agreement and this Lease will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

(e) No Event of Default, or event or condition that, with notice or lapse of time or both, would constitute an Event of Default with respect to the Company, has occurred and is continuing.

(f) All necessary authorizations, approvals, consents and other orders of any governmental authority or agency for the execution and delivery by the Company of this Lease and the Bond Purchase Agreement have been obtained and are in full force and effect.

(g) Except with respect to the matter described in Schedule I attached hereto, there is no action, suit, or proceeding at law or in equity by or before any court, public board or body pending or, to the best of the knowledge of the Company, threatened, against or affecting the Company, which (i) seeks to or does restrain or enjoin the issuance or delivery of the Bond or the execution and delivery of any of the Bond Documents, (ii) in any manner questions the validity or enforceability of the Bond or any of the Bond Documents, (iii) questions the authority of the Company to own, lease, occupy and use under an easement or right-of-way, operate or purchase any of the Project Property, or (iv) if adversely determined, could have a material adverse effect on the Company, the Project Property or the Company's ability to perform under the Bond Documents.

(h) Except with respect to the matter described in Schedule I attached hereto, the Company has not received any notice of an alleged violation and to the best of its knowledge, the Company is not in violation of any zoning, land use, the Environmental Laws or other similar law or regulation applicable to the Project or the Project Site.

(i) The location of the Project Site for use in connection with the Project does not violate any applicable law, statute, ordinance, rule, regulation, order or determination, and upon issuance of all necessary authorizations, licenses, approvals and consents, including but not limited to the NRC License, the construction, installation, operation and maintenance of the Project Property will not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any governmental authority (including the governmental authority or authorities providing such authorizations, licenses, approvals, consents and other necessary orders), or any restrictive covenant, deed restriction or easement or right-of-way (recorded or otherwise)

affecting the Project Property, including, without limitation, the Easement and all applicable zoning ordinances and building codes and the Environmental Laws.

(j) Except with respect to the matter described in Schedule I attached hereto, the Project Site is not the subject of any existing, pending or threatened investigation or inquiry by any governmental authority or subject to any remediation obligations under the Environmental Laws.

(k) No representation made by the Company in this Lease and no statement made by the Company in any information, material or report furnished to the Issuer or the Purchaser in connection with the transactions contemplated by this Lease contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) The Company is not in material default in the payment of the principal of or interest on any indebtedness for borrowed money or in material default under any instrument or agreement under and subject to which any indebtedness for borrowed money has been issued.

(m) The Related Costs are estimated to be equal to or less than the face amount of the Bond, but the Company acknowledges that the Issuer has made no warranty or representation, express or implied, that the amount in the Acquisition Account will be sufficient to pay such Related Costs or that the Project Property will be suitable to the Company's needs.

(n) The Company has the economic ability to meet all of the financial obligations imposed upon the Company under this Lease.

(o) The agreement by the Issuer to lease and sell the Project Property to the Company, to the extent of its rights and ownership in such property, has induced the Company, acting as agent for the Issuer, to undertake the acquisition, construction, improvement, installation, furnishing and equipping of the Project Property.

(p) The Company intends to operate or to cause the Project to be operated as a facility to enrich uranium for commercial purposes until at least the later of (i) the payment in full of the principal of, premium, if any, and interest on the Bond or (ii) the sooner termination of this Lease as provided herein.

(q) The Project Property will be located in Lea County, and not within the boundaries of any incorporated municipality within the County.

**Section 3.3 Survival of Representations.** All representations of the Issuer and the Company contained in this Lease or in any certificate or other instrument delivered by the Issuer or the Company pursuant to this Lease or in connection with the transactions contemplated by the Bond Documents, shall survive the execution and delivery of this Lease, the issuance, sale and delivery of the Bond, the termination of this Lease and the payment of the Bond, as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

## ARTICLE IV - THE PROJECT

### Section 4.1 Acquisition. Construction. Equipping and Completion.

(a) On or prior to the date of issuance and delivery of the Bond and execution of this Lease, the Company has conveyed or caused to be conveyed or has assigned or caused to be assigned to the Issuer, by deed, lease, sublease, bill of sale, document of assignment or such other appropriate transfer or conveyance document, fee title to the Project Site, a leasehold interest in and to the Easement, or certain of the Company's interest in and rights under the Easement, including any and all Improvements which may exist at that time. The Company will convey or cause to be conveyed to the Issuer, fee title to the Project Site by appropriate deed promptly upon acquiring such title from the owner thereof and thereupon, this Lease shall be deemed to be a lease of the Issuer's fee interest in the Project Site to the Company and the Easement shall be terminated. Upon conveyance of fee title, the Issuer shall be vested with good title in and to the Project Site subject to the terms of this Lease and the Permitted Liens. Not later than the final non-appealable issuance of the NRC License and any other necessary licenses, approvals, permits, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction over the Project (collectively, the "Licensing Approvals"), the Company will, on behalf of and as agent for the Issuer, undertake to obtain Project Financing and to acquire, construct and install the Project Property, with the Improvements to be constructed and installed in several phases. The Company will issue a certificate to the Issuer, the Purchaser and the Depository establishing the date when all Licensing Approvals have been received. The Company presently contemplates that all phases of the Project will be completed within ten (10) years following receipt of all Licensing Approvals and the Project Financing. In the event such acquisition, construction and installation occurs prior to the receipt of proceeds of the sale of the Bond, the Company will advance all necessary funds. To the extent necessary, after all proceeds of the issuance of the Bond have been exhausted, the Company will finance the completion of the Project with its own funds. The Issuer agrees to cooperate with the Company, at the sole expense of the Company, in the Company's efforts to take all necessary steps to cause the records of the Lea County Assessor's Office to reflect on or before January 1, 2005, the acquisition of the Project Property by the Issuer under the Act, including, to the extent applicable, certain of the Company's interest and rights under the Easement, in order to permit the Project Property to be exempt from property taxation pursuant to Section 7-36-3 NMSA 1978.

(b) The Issuer makes no warranty that the funds in the Acquisition Account are sufficient to pay the entire Related Costs. If the Company makes any payment pursuant to this Section 4.1, it will not be entitled to reimbursement or reduction of the Rent. Subject to Section 4.17, the Company will not allow any contractor, subcontractor, materialman or laborer with respect to the Project to remain unpaid, and will take all actions or cause to be taken all actions necessary to prevent liens by such parties being filed against the Project Property. The application of the proceeds of the sale of the Bond and the disbursement of the same from the Acquisition Account will be governed by and subject to the terms and conditions of the Indenture.

(c) On the date the final phase of the Project is complete, in the sole opinion of the Company (the "Completion Date"), the Company will deliver to the Issuer and the

Depository a certificate signed by an Authorized Company Representative stating that, except for specified amounts remaining in the Acquisition Account for any specified Related Costs incurred by the Company but not then due and payable, the Project is complete and all costs in connection with the Project have been paid for or provision has been made for their payment.

**Section 4.2 Project under the Act.**

(a) The Company will not make any changes to the Project, as described in the Project Plan, that will change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act, and will not operate the Project so as to cause the Project Property not to be a "project" within the meaning of the Act.

(b) The Company shall have the sole responsibility for the acquisition, construction and installation of the Project as agent for the Issuer, and may perform the same, by itself or through affiliates, agents, contractors or others selected by it, in whatever lawful manner it deems necessary, and procure from the appropriate State, county, municipal and other authorities, corporations and other entities, connection and discharge arrangements for the supply of natural gas and other fuel, as necessary, and for electricity, water, sewer and other commodities for the operation of the Project.

(c) In the exercise of any remedies provided in Sections 8.3 and 8.4 hereof, the Issuer shall not take any action at law or in equity that could result in the Issuer obtaining possession of the Project Property or operating the Project as a business or otherwise.

**Section 4.3 Agreement to Issue Bond.** In order to provide funds for the Project, the Issuer will issue and deliver the Bond in accordance with the Indenture. The Issuer will cause the proceeds of the sale and funding of the Bond to be deposited into the Acquisition Account, all as provided in the Indenture.

**Section 4.4 No Warranty.** THE COMPONENTS OF THE PROJECT PROPERTY HAVE BEEN DESIGNATED AND SELECTED BY THE COMPANY. THE ISSUER HAS NOT MADE AN INSPECTION OF ANY PORTION OF THE PROJECT PROPERTY. THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED OR OTHERWISE, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY OR THE LOCATION, USE, DESCRIPTION, DESIGN, TECHNOLOGY, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY OF THE SAME, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN THE SAME. ALL RISKS INCIDENT TO THE PROJECT PROPERTY ARE TO BE BORNE BY THE COMPANY. THE ISSUER WILL HAVE NO LIABILITY WITH REGARD TO OR ARISING OUT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN ANY PORTION OF THE PROJECT PROPERTY, WHETHER PATENT OR LATENT. THE PROVISIONS OF THIS SECTION 4.4 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED TO THE EXTENT ALLOWED BY LAW, WITH RESPECT TO ANY PORTION OF THE PROJECT PROPERTY, WHETHER ARISING UNDER THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

#### Section 4.5 Gross Receipts and Compensating Tax.

(a) The Company, either on its own behalf or as agent for the Issuer pursuant to Section 4.1 and this Section, will file returns for reporting and paying compensating tax which is due because of the Project and will pay, as a Related Cost, any gross receipts or compensating tax due from the Issuer under any such returns pursuant to Sections 7-9-14 and 7-9-54 NMSA 1978. The Issuer, at the request of the Company, or the Company, as agent for the Issuer, will apply to the TRD for nontaxable transaction certificates (as such term is used in the Gross Receipts and Compensating Tax Act, Chapter 7, Article 9, NMSA 1978) ("Nontaxable Transaction Certificates") to be issued by the Company, as agent for the Issuer, to vendors, in order to permit the vendors to claim deductions available under the New Mexico Gross Receipts and Compensating Tax Act for the vendors' receipts from the Company, as agent for the Issuer, for sales of Project Property. The Company will pay any gross receipts or compensating tax plus applicable penalty and interest that is found by the TRD to be due from the Company or the Issuer with respect to the Project. The Company, at its sole expense, may request any rulings from the TRD which the Company determines may be necessary or desirable to clarify the New Mexico gross receipts and compensating tax implications of transactions related to the Project and may dispute, at its sole expense, in any manner authorized by the New Mexico Tax Administration Act or other applicable procedures, any gross receipts or compensating tax liability imposed on the Company or the Issuer because of the Project, provided the Company shall not pursue a dispute that, in the reasonable opinion of the Issuer, will materially and adversely affect the interest or rights of the Issuer. The Issuer specifically acknowledges that since the adoption of the Inducement Resolution, an agency relationship for purposes of the gross receipts tax deduction under Section 7-9-54 NMSA 1978 and applicable regulations has existed between the Issuer and the Company with respect to the Project. The Issuer agrees, at the request and expense of the Company, to make reasonable modifications to this Lease that are necessary or desirable to obtain Nontaxable Transaction Certificates or otherwise reduce the gross receipts and compensating tax imposed upon the Company or the Issuer as a result of the Project or its operation.

(b) The receipts of vendors from the sale of tangible personal property to the Issuer, which tangible personal property is included in the Project Property (but excluding "construction material", as defined in Section 7-9-3.4(B) NMSA 1978), shall be deductible from gross receipts or governmental gross receipts, and exempt from compensating tax, to the fullest extent permitted by Sections 7-9-14 and 7-9-54 NMSA 1978 and 3.2.212.22 NMAC and sections of the NMSA 1978 and the New Mexico Administrative Code (NMAC) under which such provisions or similar provisions may be codified or renumbered in the future. The deduction from gross receipts or governmental gross receipts, and the exemption from compensating tax, shall not apply to purchases of Project Property except as provided in the preceding sentence, and, except as contemplated in the preceding sentence, the Company shall not be authorized by this Lease to provide Nontaxable Transaction Certificates to vendors.

Section 4.6 Assessment in the Company's Name. Notwithstanding any other provisions of this Lease, if this Lease has not been terminated on or before the Maturity Date (see definition in Indenture), then the Issuer shall convey the Project Property to the Company on the Maturity Date, the Company will take all necessary action to have the Project Property assessed for property tax purposes in the name of the Company on and after the Maturity Date, and the Company will pay all ad valorem taxes imposed on the Project Property from and after the

Maturity Date. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

Section 4.7 Compliance With Law. The Company will obtain, or cause to be obtained, all Licensing Approvals necessary for the construction, installation, operation or maintenance of any Improvements prior to commencement of each such activity. The Company will obtain or cause to be obtained all necessary licenses, permits and approvals for storage on or at the Project Site, will comply with all lawful requirements of any governmental body, agency or department regarding the use or condition of the Project and will cause each phase of the Project, upon completion, to comply with all applicable zoning and planning ordinances, building codes, restrictive covenants, the Environmental Laws, and all other applicable laws, ordinances, statutes, rules and regulations relating to the Project Property. The Company may in good faith contest the validity or the applicability of any such requirement. During the period of such contest and any related appeal, this Section 4.7 will be deemed satisfied with respect to the requirement so contested.

Section 4.8 Nuisance Not Permitted. The Company will not permit or suffer its agents, employees, invitees (including building contractors and subcontractors), guests or other visitors to commit a nuisance on or about the Project Property or itself commit a nuisance in connection with its use or occupancy of the Project.

Section 4.9 Taxes and Utility Charges. The Company will pay, as and when due, (i) all taxes, assessments, and governmental and other charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Property, (ii) all utility and other charges incurred in the operation, maintenance and storage activities at or about the Project Property, and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by any lien on the Project Property. The Company may, in good faith, contest the amount or validity of any such levy, tax, assessment or other charge by appropriate legal proceedings. During the period of such contest and any related appeal, this Section 4.9 will be deemed satisfied with respect to any such levy, tax, assessment or other charge so contested.

Section 4.10 Maintenance. The Issuer will not be under any obligation to, and will not, operate, maintain or repair the Project Property. During the Term, the Company will, at its own expense, keep the Project Property in safe repair and in such operating condition as is needed for its operations and make all necessary repairs and replacements to the Project Property as determined in the Company's sole discretion (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen).

Section 4.11 Replacement and Removal of Project Property. The Company may replace or remove any equipment, fixtures or furnishings constituting a part of the Project Property, provided that such replacement or removal will not change the nature of the Project as a qualified "project" as defined in and as contemplated by the Act. Upon request of the Company, the Issuer will deliver to the Company, at the sole expense of the Company, appropriate instruments evidencing the acquisition by the Company of title to any machinery, equipment or fixtures permitted by this Section 4.11 to be so replaced or removed. The provisions of Section 10.2 shall govern the delivery and form of any such instruments.

#### Section 4.12 Environmental Matters.

(a) Subject to any "exemptions" and "exceptions" received from regulatory agencies, the Company shall obtain all permits, licenses, approvals, and other authorizations which are required under the Environmental Laws and shall conduct all activities related to the Project Property in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws or contained in any regulation, code, plan, order, decree, judgment, notice, demand letter, permit, license, approval, or authorization issued, entered, or promulgated under the Environmental Laws. The Company acknowledges, subject to any "exemptions" and "exceptions" received from the NRC, that it is subject to the applicable provisions of 10 C.F.R. Parts 30, 40, 70 and 95, in applying for and upon issuance of the NRC License.

(b) To the extent that the use that the Company makes or intends to make of the Project Property will result in the use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence of any Hazardous Material or solid waste in, on, under, to or from the Project Property, such use, handling, manufacture, mixing, treatment, refining, transportation, generation, storage, disposal or other release or presence will comply with the Environmental Laws.

(c) The Company will promptly notify the Purchaser and the Issuer of any material violation or alleged material violation of the Environmental Laws pertaining to the Project Property of which the Company becomes aware, or of any pending or threatened investigation relating to the Environmental Laws involving the Project Property or the Company's use or operation of the Project Property of which the Company becomes aware. Inspections conducted from time to time by regulatory agencies do not constitute an "investigation" for purposes of this notice requirement. The Company will provide the Issuer and the Purchaser with any State regulatory inspection reports regarding the Project that are not available publicly.

Section 4.13 Easements. With the consent of the Issuer, which will not be unreasonably withheld or delayed, and subject to the terms of the Easement, if applicable, (i) the Company may at any time or times grant easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to any part of the Project Property and (ii) the Company may release existing interests, easements, licenses, rights-of-way and other rights or privileges with or without consideration, provided that no such grant or release shall materially and adversely affect the value, operation or utility of the Project Property. The Issuer will, at the Company's expense, reasonably cooperate in connection with the execution of required instruments in connection with the grant and release of such easements, licenses, rights-of-way and other rights and privileges.

Section 4.14 Eminent Domain; Damage; Destruction. The Company will give prompt notice to the Issuer and the Purchaser of any material damage to or destruction of the Project Property. If either the Issuer or the Company receives notice of the proposed taking of all or any part of the Project Property by Eminent Domain, it will give prompt notice to the other and the Purchaser. Any such notice will describe generally the nature and extent of such damage, destruction, taking or proposed taking. The Proceeds resulting from the exercise of Eminent

Domain with respect to or from any damage to or destruction of all or any portion of the Project Property will be paid to the Company.

Section 4.15 Insurance. The Company will keep the Project continuously insured with respect to such risks and in such amounts, with such deductible provisions, as are customary in connection with the operation of facilities of the type and size comparable to the Project and in compliance with all insurance coverages required for Licensing Approvals (including coverages required pursuant to 10 C.F.R. Parts 40 and 70) and, following the NRC's issuance to the Company of a license, 10 C.F.R. Part 140, and as otherwise required by the NRC. The Company shall furnish satisfactory certificates of insurance for all insurance from financially sound insurance companies licensed and authorized to do business in the State, and such certificates shall name the Company and the Issuer as loss payees for each casualty insurance policy, shall name the Company and the Issuer as additional or co-insureds under each public liability insurance policy and shall include a provision requiring thirty (30) days prior written notice to Issuer for cancellation, reduction or change in any coverage. Such insurance may, to the extent permitted under applicable law, be provided by blanket policies maintained by the Company, by a captive insurance company controlled by the Company or through self-insurance. Such insurance will include general liability insurance against liability for (i) claims for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the Project, (ii) liability with respect to the Project under the workers' compensation laws of the State (unless the Company has complied with the requirements of the laws of the State for self-insurance), and (iii) liability for bodily injury and property damage with respect to owned and leased automobiles or trucks, non-owned automobiles or trucks and hired cars or trucks. To the extent not otherwise required by the Licensing Approvals, the Company shall maintain comprehensive general liability coverage of at least \$1,000,000 per occurrence and pollution liability insurance coverage of at least \$1,000,000 per occurrence, provided such coverages are available to the Company at commercially reasonable rates.

Section 4.16 Access and Inspection. During the Term, the Issuer, the Purchaser and their duly authorized agents shall have the right to inspect the Project Property, subject to compliance with the Company's access requirements as approved by the U.S. Nuclear Regulatory Commission.

Section 4.17 Liens. Except for Permitted Liens, the Company will not suffer any liens to exist on the Project Property as a result of any claims brought against the Company pursuant to a right or interest not existing in connection with, or permitted by, this Lease. The Company will notify the Issuer and the Purchaser of the existence of any lien, other than a Permitted Lien, on the Project Property within 30 days after such lien attaches. The Company may, in good faith, contest the validity of any lien on the Project Property. During the period of such contest and any related appeal, this Section 4.17 will be deemed satisfied with respect to the lien so contested.

#### ARTICLE V - LEASE: TERM: POSSESSION; RENT

Section 5.1 Lease of the Project Property: Term. In consideration of the payment of Rent, the Issuer leases the Project Property to the Company for the Term.



Section 5.2 Quiet Enjoyment. So long as an Event of Default has not occurred and is not continuing, the Issuer will not take any action, other than pursuant to Article VII, to prevent the Company from having quiet and peaceable possession and enjoyment of the Project Property during the Term (except as necessary with respect to the exercise of Eminent Domain for public projects and purposes) and will, at the request of the Company and at the Company's expense, to the extent that it is lawfully necessary and the Issuer may lawfully do so, join in any legal action in which the Company asserts its right to such possession and enjoyment.

Section 5.3 Basic Rent and Additional Payments.

(a) The Company will pay to the Purchaser for the account of the Issuer, such amounts at such times as are necessary to make all payments of principal of, interest on and redemption price of the Bond in accordance with the terms of the Bond and the Indenture as and when due (the "Basic Rent").

(b) The Company will also make the following additional payments (the "Additional Payments"):

(i) to or on behalf of the Depository, the reasonable fees and charges of the Depository for all services of the Depository and all reasonable expenses (including reasonable counsel fees and expenses) incurred by the Depository in connection with its duties under the Indenture, if scheduled, when due and, otherwise, promptly on demand by the Depository (which fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser); and

(ii) to or on behalf of the Issuer, promptly on demand of the Issuer, all reasonable out-of-pocket costs and expenses including, but not limited to, reasonable counsel fees and expenses paid or incurred by the Issuer in connection with (A) the discussion, negotiation, preparation, approval, execution, and delivery of the Bond, the Indenture, the Bond Purchase Agreement, this Lease, and the other documents related thereto, (B) any amendments or modifications to any of the foregoing documents and the discussion, negotiation, preparation, approval, execution and delivery of any and all documents necessary to effect such amendments or modifications, and (C) the enforcement by the Issuer, during or after the Term, of any of the rights or remedies of the Issuer under any of the foregoing documents, instruments or agreements, including without limitation reasonable costs and expenses of collection, whether or not suit is filed.

Section 5.4 Obligation Unconditional. The obligation of the Company to pay Rent and to perform its other obligations under this Lease is absolute and unconditional and will not be subject to diminution by set off, counterclaim, abatement or otherwise, whether as a result of Eminent Domain with respect to, damage to or destruction of or removal of all or any portion of the Project Property or any other event or condition. Until the Bond is paid in full, as provided by the Indenture, or this Lease is earlier terminated, the Company will not suspend or discontinue payment of the Rent or fail to perform any of its obligations under this Lease and will not terminate this Lease prior to the expiration of the Term for any cause. In the event the Issuer fails to perform any of its obligations under this Lease, the Company may institute such action against the Issuer as the Company may deem necessary to compel such performance. The Company may also, at its own cost and expense and in its own name or, if legally necessary, in

the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third parties which the Company deems reasonably necessary in order to secure or protect its title, right of possession, occupancy, operation and right of purchase of, the Project Property. In such event, if no Event of Default has occurred and is continuing, unless waived by the Purchaser, the Issuer will cooperate with the Company, so long as it is not the adverse party, upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket costs, expense (including reasonable counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation.

Section 5.5 Net Lease. This Lease will be deemed and construed to be a "net lease," and the Company will pay Rent, free of any deductions and without abatement, diminution or setoff.

## ARTICLE VI - SPECIAL COVENANTS

Section 6.1 Recording and Filing; Further Assurances. The Company will, at the direction of the Purchaser and at the expense of the Company, take all actions that at the time are and from time to time may be reasonably necessary to perfect, preserve, protect and secure the interest of the Issuer and the Purchaser in and to the Rent and in the Project Property, to the extent of the Issuer's interest therein under this Lease, including, without limitation, the recordation of this Lease and the Indenture, the filing of financing statements and continuation statements (if deemed necessary by the Purchaser), and the execution, acknowledgment, delivery, filing and recordation of any other necessary agreements and instruments. The Issuer will execute such instruments as may be reasonably requested by the Company to permit compliance with this Section 6.1.

Section 6.2 Claims. The Company will pay and discharge and will indemnify and hold the Issuer harmless from (a) any lien or charge upon payments by the Company to, or for the account of, the Issuer under this Lease and (b) any taxes, assessments, impositions and other charges in respect of the Project Property except for charges that are being contested under Section 4.9 hereof. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company will have the sole right and duty to assume the defense of the same and will have the power to litigate, compromise or settle the same.

### Section 6.3 Release and Indemnification.

(a) The Company acknowledges that the Issuer is acting as a conduit issuer in this transaction and has agreed to issue an industrial revenue bond at the request of the Company in order to enable the Company to take advantage of certain tax benefits. The Company understands that, under Section 4-59-6 NMSA 1978, the Issuer does not have the power to incur a pecuniary liability or to obligate itself except with respect to the Bond proceeds, the Project Property and the application of the revenues therefrom.

(b) The Company releases the Issuer from, agrees that the Issuer will not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all liabilities, claims, suits, costs and expenses which are or may be imposed upon, incurred or asserted against the Issuer on account of: (i) any loss or damage to property or injury to or death of or loss by any

person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation, use or decommissioning of the Project (ii) any storage activities at, on, in, under or about the Project Property; (iii) any breach or default on the part of the Company in the performance of any representation, covenant or agreement of the Company under this Lease, or any related document, or arising from any acts or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (iv) the Company's failure to comply with any requirements of this Lease; (v) any other loss, claim, damage, penalty, liability, disbursement, litigation expense, attorneys' fees, experts' fees or court costs arising out of or in any way relating to the execution or performance of this Lease, actions taken under the Indenture or any other cause whatsoever pertaining to the Project Property; and (vi) any claim, action or proceeding brought with respect to the matters set forth in (i), (ii), (iii), (iv) and (v) above, excluding, however, from the scope of the release and indemnity under this Section 6.3(b), any matters covered under the release and indemnity involving health and the environment under Section 6.3(c) below.

(c) The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and agrees to indemnify and hold Issuer harmless from and against any and all claims, suits, judgments, fines, penalties, assessments, natural resource damages, response costs (such as the cost of any testing, sampling, medical or other monitoring, cleanup, or other required response action), costs necessary to bring the Project Property or the Project into compliance with the Environmental Laws and other liabilities, together with attorneys' fees and experts' fees, costs and expenses which are or may be imposed upon, incurred by, or asserted against the Issuer resulting from or in any way connected with the use, handling, mixing, generation, storage, manufacture, refining, release, transportation, treatment, disposal or other release or presence, at, in, on, under or from the Project Property, of any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, oils, asbestos in any form or conditions, or any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials or substances within the meaning of the Environmental Laws, or any other applicable federal, state or local law, regulation, ordinance or requirement relating to or imposing liability or standards of conduct concerning any By-Product Material, Source Material, Special Nuclear Material, Hazardous Material, hazardous, toxic or dangerous waste, substance or materials, all as now in effect or hereafter amended from time to time.

(d) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties based upon the matters described in Subsection 6.3(b) or (c) above and in respect of which indemnity is sought against the Company pursuant to Subsection 6.3(b) or (c) above, the Indemnified Party or Indemnified Parties seeking indemnity shall, within ten days of being notified of an action against it, notify the Company, in writing, and the Company shall promptly assume or cause the assumption of the defense thereof, including the employment of counsel chosen by the Company and approved in writing by the Issuer (provided that such approval by the Issuer shall not be unreasonably withheld), the payment of the reasonable expenses of such counsel, and the right of the Issuer to participate in negotiations and to consent to settlement. If any Indemnified Party is advised in a written opinion of independent counsel (i) that there may be legal defenses available to such Indemnified Party which are adverse to or in conflict with those available to the Company, or (ii) that the defense of such Indemnified Party should be handled by separate counsel, the Company shall not have the right to assume or cause the assumption of the defense of such Indemnified Party, and the Company shall be responsible for the reasonable fees and expenses of counsel retained by

such Indemnified Party, provided such counsel is approved in writing by the Company, in assuming its own defense. If the Company shall have failed to assume or cause the assumption of the defense of such action or to retain counsel reasonably satisfactory to the Issuer within a reasonable time after notice of the commencement of such action, the reasonable fees and expenses of counsel retained by the Indemnified Party shall be paid by the Company. Notwithstanding, and in addition to, any of the foregoing, any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party or Indemnified Parties unless the employment of such counsel has been specifically authorized in writing by the Company. The Company shall not be liable for any settlement of any such action effected without the written consent of the Company, but if settled with the written consent of the Company, or if there is a final judgment for the plaintiff in any such action with or without consent, and after all appeals have been taken and final orders or dismissals entered, the Company agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(e) The indemnifications set forth in this Section 6.3 are intended to and will include the indemnification of all affected officials, members of the Board of County Commissioners, officers, employees and agents of the Issuer (together with the Issuer, the "Indemnified Parties" and each singularly an "Indemnified Party"). The indemnification is intended to and will be enforceable by the Issuer, to the full extent permitted by law.

(f) No release or indemnity is given under this Section 6.3 due to the exercise by the Issuer of its police powers or in the performance of any essential governmental function but excluding the governmental functions related to the authorization of the Project under the Act; and provided further that there shall be excluded from the scope of this release and indemnity any liability, claims, costs and expenses imposed upon, incurred or asserted against the Issuer resulting from or arising out of the willful misconduct or negligence of the Indemnified Parties or any Indemnified Party.

Section 6.4 Approval of Indenture; Obligations Under Indenture. The Indenture has been submitted to the Company for examination and the Company acknowledges, by execution of this Lease, that it has approved the Indenture and will perform the obligations assigned to it in the Indenture.

Section 6.5 Assignment of Warranties. The Issuer will, to the extent possible and at the expense of the Company, transfer and assign to the Company from time to time any and all of the Issuer's rights and interests in and under any warranties obtained in connection with the Project Property and will give the Company the right to take action in either the Issuer's or Company's name for the enforcement of such warranties.

Section 6.6 Company to Maintain Its Existence. Except in connection with a transaction permitted under Section 7.3 hereof, the Company will maintain its existence as a limited partnership and will not dissolve or otherwise dispose of all or substantially all of its assets.

Section 6.7 Good Standing. The Company will execute, file and record all certificates and other documents and perform such other acts as may be necessary or appropriate to comply

with all requirements for the formation and operation of a limited partnership under the laws of Delaware and the State and the operation of the Project Property under the laws of the State.

Section 6.8 Authority of Authorized Representative of Issuer. Whenever under the provisions of this Lease the approval of the Issuer is required or the Company is required to take some action at the request of the Issuer, such approval or such request will be made by the Authorized Issuer Representative unless otherwise specified in this Lease, and the Company or the Depository will be authorized to act on any such approval or request and the Issuer will have no complaint against the Company or the Depository as a result of their taking any such action.

Section 6.9 Authority of Authorized Representative of Company. Whenever under the provisions of this Lease the approval of the Company is required or the Issuer is required to take some action at the request of the Company, such approval or such request will be made by the Authorized Company Representative unless otherwise specified in this Lease, and the Issuer or the Depository will be authorized to act on any such approval or request and the Company will have no complaint against the Issuer or the Depository as a result of any such action taken.

Section 6.10 Other Instruments. The Company will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers (i) as the Issuer or Purchaser may from time to time reasonably require for better assuring the Issuer's title to or interest in, the Project Property, or transferring and conveying the Project Property to the Issuer and the better pledging under the Indenture of the moneys receivable under this Lease, and (ii) as the Issuer and the Depository may from time to time reasonably require in furtherance of the accomplishment of the purposes of any of the Bond Documents.

Section 6.11 Payment in Lieu of Property Taxes.

(a) The Issuer and the Company acknowledge that during the Term, the Project Property will be exempt from property taxation pursuant to Article VIII, Section 3 of the State constitution and Section 7-36-3 NMSA 1978. Notwithstanding the foregoing, the Company will pay payments in lieu of property tax ("PILOTs") as provided in subsections (b) and (c) of this Section.

(b) Subject to provisions of subsection (c) of this Section, the Company shall pay to the Issuer, on each date the Company would have been required to pay property taxes if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer, an amount equal to twenty percent of the total amount of property tax (i.e., the tax arising from the combined levies of all taxing entities whose taxing jurisdiction encompasses the Project Site) that would have been due on such date if the Project Property were owned entirely by the Company and the Bond had not been issued by the Issuer. The amounts of the PILOT pursuant to this subsection (b) (the "Main PILOT") shall be calculated using mill levies and assessed property tax valuations that would have been applicable for each tax year with respect to the Project Property if the Bond had not been issued by the Issuer. The property tax valuation for the Project Property for each tax year shall be determined by the Lea County Assessor (the "Assessor") using information provided by the Company and such other information obtained from other sources as is deemed relevant by the Assessor. The Company shall provide the Assessor all information that the Assessor may lawfully require for the purpose of determining

the assessed valuation of the Project Property from year to year. The Company may challenge the valuation determined by the Assessor on the same grounds as would be available to it if it were assessed for property tax for the Project Property; provided, however, that no payment of the Main PILOT shall be delayed by reason of a dispute of the valuation of the Project Property. In the event of a dispute concerning the valuation, the Company shall pay the Main PILOT calculated according to the most recent undisputed valuation of the Project Property, and when the dispute is resolved shall pay an amount (or receive a credit, as applicable, against future Main PILOT payments) equal to the difference between the adjusted amount of the Main PILOT and the amount already paid, in accordance with the valuation determined through the dispute resolution or adjudication, as applicable. The Main PILOT shall be paid directly to the Issuer, and the Company shall have no responsibility for the Issuer's use or distribution of such amounts.

(c) The parties anticipate that the City of Eunice (the "City") will construct water and sewer lines connecting the Project with the City's water and sewer utilities. The Company shall pay the pre-construction engineering and design costs for such lines as they become due and payable, up to an amount of \$125,000. The Company shall further pay all of the right-of-way acquisition, construction services and materials costs for such lines, as they become due and payable (the "Pipeline PILOT"). Fifty percent of the amount paid as the Pipeline PILOT shall be credited against the Main PILOT in equal amounts per year over a period of five years, beginning in the tax year immediately following the final payment of the last amount of the Pipeline PILOT; provided, however, that if the amount of the Pipeline PILOT to be credited in any year exceeds the amount of the Main PILOT for that year, then the excess amount of the credit shall be carried forward and applied against the first available amount of Main PILOT in succeeding years. The Company's payment of the pre-construction engineering and design costs and the Pipeline PILOT under this subsection may be paid to the City or directly to the entities furnishing such engineering and design, right-of-way acquisition, construction services and materials at the discretion of the Company. Satisfactory written evidence of such payments shall be promptly furnished to the City and the Issuer.

## ARTICLE VII - ASSIGNMENT, LEASING AND SELLING

Section 7.1 Assignment of Rights by the Issuer. Concurrently with issuance of the Bond, the Issuer will pursuant to the Indenture assign and pledge to the Purchaser certain of the Issuer's rights, title and interests in and to this Lease, as security for payment of the principal of, interest on and redemption price of the Bond. Thereafter, the Purchaser will be vested with, and authorized to exercise, such rights of the Issuer and the Purchaser under this Lease. The Company assents to such assignment and pledge.

Section 7.2 No Other Transfer by Issuer. Except as provided in Sections 4.6, 4.11 and 7.1 and Article X, the Issuer will not sell, assign, transfer or convey its rights, title or interests in this Lease or the Project Property, or its obligations under this Lease.

Section 7.3 Assignment, Lease, Mortgage and Sale by the Company.

(a) If the Company is not in default under this Lease or the Indenture, the rights of the Company under this Lease may be assigned, and the rights of the Company in the Project Property may be assigned, leased, subleased, mortgaged or sold (other than as provided in

Section 4.11) as a whole or in part by the Company (each, an "assignment transaction"). No assignment transaction will relieve the Company from liability for making payments of Rent and for the performance of its other obligations under this Lease, including but not limited to its obligations under Sections 4.5, 4.15, 5.3(b), 6.3, 6.11 and 8.4 hereof, to the same extent as though such transaction had not been consummated, unless (i) such assignment, lease, sublease, mortgage or sale is to an affiliate (as such term is used in regulations pursuant to the Securities Exchange Act of 1934) of the Company, or (ii) the Issuer and the Purchaser shall consent to such assignment transaction, which consent shall not be unreasonably denied or withheld. In requesting the consent of the Issuer and the Purchaser under (a)(ii) of this Section 7.3, the Company shall comply with the transfer requirements of 10 C.F.R. Parts 40 and 70, as applicable. To the extent required by the Purchaser, any assignee, lessee, sublessee or purchaser of a material portion of the Company's interest in this Lease or of the Project Property will assume in writing the obligations of the Company under this Lease with respect to the interest assigned, leased or sold.

(b) The Company will, not more than 120 days nor less than 30 days before the effective date of any assignment transaction, furnish or cause to be furnished to the Issuer and the Purchaser a true and complete copy of such proposed assignment, lease, sublease, mortgage or purchase contract, and to the extent applicable, such assumption. On the effective date of any such assignment transaction, the Company will, at the request of the Issuer or the Purchaser and at the expense of the Company, deliver to the requesting Party an opinion of counsel to the Company to the effect that such assignment, lease, sublease, mortgage or sale has been duly authorized by the Company, does not conflict with applicable federal or State law, and does not affect the status of the Project as a "project" under the Act.

#### ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default Defined. Each of the following events is an "Event of Default":

(a) failure by the Company to make any Rent payment when due, and such failure continues for a period of five Business Days; or

(b) any Bond Document, or any certificate or other document delivered pursuant to any Bond Document, contains a material misrepresentation by the Company, which misrepresentation continues to materially adversely affect the Issuer, the Purchaser or the Depository, and the Company fails to cure the effect of such misrepresentation within thirty Business Days after the aggrieved Party gives the Company written notice of such misrepresentation;

(c) failure by the Company to perform any of its obligations under this Lease or the Indenture, other than the payment of Rent, for a period of 30 Business Days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Purchaser, or, if such failure cannot reasonably be remedied within 30 days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion; or

(d) the occurrence of a "Default" as defined in the Indenture; or

(e) the Company files a voluntary petition in bankruptcy or is adjudicated insolvent or bankrupt, or files any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Company or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or makes any general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; or

(f) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Company seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of the Company or any guarantor of any obligations under the Bond or of all or any part of the Project Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, is appointed without the consent or acquiescence of the Company or such guarantor, as applicable, and such appointment remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive); or

(g) a writ of execution or attachment or any similar process is issued or levied against all or any part of or interest in the Project Property, or any judgment involving monetary damages is entered against the Company or the Issuer that becomes a lien on the Project Property or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy; or

(h) any suit or proceeding is filed against the Company that, if adversely determined, would substantially impair the ability of the Company to perform any of its obligations contained in the Bond Documents or the Bond, and counsel for the Company or independent counsel retained by the Purchaser has formed a professional conclusion that an adverse outcome is probable, as that term is defined in the American Bar Association's Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information.

## Section 8.2 Remedies on Default.

(a) If an Event of Default occurs and is continuing, the Purchaser, as the assignee of the Issuer under the Indenture, and on behalf of the Issuer, may, but is not required to, take any one or more of the following remedial steps:

(i) by written notice to the Company declare all such amounts of Rent payable for the remainder of the Term as are required to provide for the Payment of the Bond, whereupon the same will be immediately due and payable;



(ii) take whatever action at law or in equity may appear necessary or desirable to collect the Rent then due and thereafter to become due or to enforce the performance and observance of any obligation of the Company under this Lease or the Indenture; or

(iii) exercise any remedies provided for in the Indenture.

(b) In the exercise of any remedies provided in this Section 8.2, the Purchaser shall not take any action at law or in equity that could result in the Purchaser obtaining possession of the Project Property or operating the Project as a business or otherwise.

(c) In the enforcement of the remedies provided in this Section 8.2, the Purchaser, as the assignee of the Issuer and on behalf of the Issuer, will treat all expenses of enforcement, including, without limitation, legal, accounting and advertising fees, as Additional Payments then due and owing. In the exercise of any of the remedies in Section 8.2(a)(i) through (iii) above, the Purchaser, as the assignee of the Issuer, has the sole responsibility for the exercise of such remedies if an Event of Default occurs and is continuing, and except for the exercise of Issuer's remedies under Sections 8.3 and 8.4 below, the Issuer shall not exercise any remedies provided under this Lease unless specifically authorized in writing by the Purchaser.

**Section 8.3 Issuer's Remedies.** Subject to Section 4.2(c) hereof, the Issuer may take whatever action at law or in equity may appear necessary or desirable to enforce the performance and observance of any Unassigned Rights Obligation under this Lease, including, without limitation, the Reconveyance Remedy provided in Section 8.4 of this Lease.

**Section 8.4 Reconveyance Remedy.** Subject to Section 4.2(c) hereof, if the Company (i) fails to complete the Project as provided in Section 4.1 of this Lease, (ii) makes changes to the Project or operates the Project in such a manner that would result in the Project no longer qualifying as a "project" within the meaning of the Act, (iii) ceases to operate the Project, or (iv) fails to perform any Unassigned Rights Obligation under this Lease, and any of such circumstances continues for 60 days after notice by the Issuer to the Company, then the Issuer shall have the right to immediately convey the Project Property to the Company and take all steps necessary to have the Project Property immediately assessed for property tax purposes in the name of the Company from and after 60 days after such notice is given. The provisions of Article X shall govern the manner and form of any such conveyance from the Issuer to the Company.

**Section 8.5 Agreement to Pay Attorneys' Fees and Expenses.** If an Event of Default or an event or condition which, with notice or the lapse of time or both would constitute an Event of Default, has occurred, and the Issuer or the Purchaser employ attorneys or incur other expenses for collection of Rent or the enforcement of performance or observance of any obligation or agreement on the part of the Company contained herein, the Company agrees that it will on demand therefor pay to the Issuer, or the Purchaser, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Issuer or the Purchaser.

**Section 8.6 No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder. In view of the assignment of certain of the Issuer's rights in

and under this Lease to the Purchaser pursuant to the Indenture, the Issuer will have no power to waive any Event of Default hereunder without the consent of the Purchaser. Notwithstanding the foregoing, a waiver of a Default under the Indenture or a rescission of a declaration of acceleration of the Bond and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event of Default under this Lease and a rescission and annulment of its consequences; provided that no such waiver or rescission will extend to or affect any subsequent or other default hereunder or impair any right resulting therefrom.

Section 8.7 Survival of Obligations. Except as otherwise provided in Subsection 7.3(a) hereof, the Company's obligations hereunder, including, without limitation, its obligations to make payments, will survive any sale of all or any portion of the Project Property or exercise of any other remedy in accordance with this Article and the Company will continue to pay the payments and perform all other obligations provided herein to the extent necessary to fulfill its obligation hereunder.

#### ARTICLE IX - PREPAYMENTS

Section 9.1 Prepayments. The Company may at any time (including after the occurrence and during the continuance of an Event of Default) and for any reason cause all or any portion of the outstanding amount of the Bond to be redeemed in accordance with the provisions of the Indenture, which redemption may occur on the same day the Purchaser advances proceeds of the Bond to the Company pursuant to Section 404 of the Indenture. The Company shall send notice of such redemption to the Issuer, the Depository and the Purchaser not less than one (1) Business Day prior to the redemption date. Such notice will specify the redemption date and the principal amount of the Bond redeemed. On the redemption date the Company will prepay that portion of the Rent equal to such principal amount plus accrued interest, if any, on such principal amount to the redemption date by payment of such amounts to the Purchaser; provided that in the event of a redemption of all the outstanding amount of the Bond, the Company shall pay, in addition on the redemption date, all Additional Payments payable to the Issuer or the Depository, as the case may be.

#### ARTICLE X - EXERCISE OF OPTION AND PURCHASE OF PROJECT PROPERTY

Section 10.1 Purchase of Project Property. The Company will purchase, and the Issuer will sell, the interests of the Issuer in the Project Property for \$1.00 and any unpaid Additional Payments at the expiration or sooner termination of this Lease (provided that the Rent and all other amounts due hereunder have been fully paid) and following Payment of the Bond and release of the Indenture pursuant to its provisions. The Company will give notice to the Issuer specifying the date of closing of such purchase, which will be not less than 15 days nor more than 90 days from the date of such notice. At the closing of such purchase, upon payment of the amount due by the Company, the Issuer will, at the expense of the Company, convey the Project Property to the Company subject to the provisions of Section 10.2.

Section 10.2 Conveyance. At the closing of a purchase pursuant to this Article X, the Issuer will, upon receipt of the purchase price and at the sole expense of the Company, deliver to the Company documents, including, but not limited to a quitclaim deed or other transfer or conveyance documents, conveying to the Company the Issuer's interest in the Project Property being purchased, as such Project Property then exists subject only to: (i) those liens and

encumbrances (if any) to which title to or interest in, the Project Property was subject when conveyed to the Issuer; (ii) those liens and encumbrances created by the Company or any party other than the Issuer or to the creation or suffering of which the Company consented; (iii) those liens and encumbrances resulting from the failure of the Company to perform any of its obligations under this Lease; (iv) Permitted Liens other than the Indenture and this Lease; and (v) any other lien arising as a matter of law. The Company may purchase the Project Property and exercise its other rights under this Article X, whether or not an Event of Default has occurred and is continuing.

## ARTICLE XI - MISCELLANEOUS

Section 11.1 Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of this Lease and Section 1112 of the Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default. In order for any Party to exercise any remedy reserved to it in the Bond Documents, such Party shall not be required to give any notice other than such notice as may be expressly required in the Bond Documents.

Section 11.2 Amendments. This Lease may be amended by one or more instruments signed by the Issuer and the Company, and consented to by the Purchaser. The Issuer shall amend this Lease as requested by the Company or a lender or other entity providing all or any part of the Project Financing, provided any such amendment is not inconsistent with the Bond Ordinance.

### Section 11.3 Limitation of Issuer's Liability.

(a) No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with any property of the Company financed, directly or indirectly, out of the Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body, or constitute a charge against the Issuer's general credit, or will obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. No failure of the Issuer to comply with any terms, covenants or agreements herein or in any document executed by the Issuer in connection with the Bond will subject the Issuer to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the funds available hereunder or under the Indenture and pledged to the payment of the Bond and their application as provided under the Indenture. The Issuer shall not be required to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder unless it will first have been adequately indemnified to its satisfaction against the cost, expense or liability which might be incurred thereby. Nothing herein will preclude a

proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein or in the Indenture; provided that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds available hereunder or under the Indenture and pledged to the payment of the Bond.

(b) No covenant, obligation or agreement in this Lease shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the governing body of the Issuer in other than his official capacity, and neither the members of that governing body nor any official executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Lease or in the Indenture.

Section 11.4 No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Lease, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

Section 11.5 Release. The Issuer will not be liable to the Company, and the Company releases and discharges the Issuer from any liability for any and all losses, costs, expenses (including attorneys' fees), damages, judgments, claims and causes of action, paid, incurred or sustained by the Company as a result of or relating to any action, or failure or refusal to act, on the part of the Depository or the Purchaser with respect to the Bond, the Indenture, this Lease, or the documents and transactions related hereto or thereto or contemplated hereby or thereby, including, without limitation, the exercise by the Depository, Purchaser or any third party of any of its rights or remedies pursuant to any of such documents.

Section 11.6 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns.

Section 11.7 Severability. In the event any provisions of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof: provided, however, that if enforcement of this Lease absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then this Lease shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 11.8 Recording. This Lease, the Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. This Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of the Indenture.

Section 11.9 No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the non-defaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 11.10 Non-Merger. The provisions of this Lease shall survive the conveyance or transfer of the Project Property to the Issuer, the reconveyance or transfer of the Project Property to the Company and any other performance hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 11.11 Execution in Counterparts. This Lease may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute any of the Bond Documents by executing any counterpart of such Bond Document.

Section 11.12 Notices. All notices required under this Lease shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:	Lea County Lea County Courthouse 100 North Main Street Lovington, NM 88260, Attn.: Dennis Holmberg, County Manager Phone: (505) 396-8601 Fax: (505) 396-2093
with a copy to:	Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 Fourth Street N.W. Suite 1000 Albuquerque, New Mexico 87102 Attention: Duane Brown and Peter Franklin
If to the Company:	Louisiana Energy Services, L.P. One Sun Plaza 100 Sun Lane NE, Suite 204 Albuquerque, NM 87109 Attention: E. James Ferland, President and CEO Phone: (505) 944-0194 Fax: (505) 944-0198

with a copy to:

Rodey Law Firm  
201 Third St., Suite 2200  
Albuquerque, NM 87102  
Attention: Donald B. Monnheimer  
Phone: (505) 766-7556  
Fax: (505) 768-7395

If to the Purchaser:

NEF Series 2004, LLC  
One Sun Plaza  
100 Sun Lane NE, Suite 204  
Albuquerque, NM 87109  
Attention: E. James Ferland, President and CEO  
Phone: (505) 944-0194  
Fax: (505) 944-0198

If to the Depository:

Bank of Albuquerque, N.A.  
201 Third St. NW, Suite 1400  
Albuquerque, NM 87102  
Attention: Corporate Trust Manager  
Phone: (505) 222-8446  
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 11.13 Title: Headings. The title and headings of the articles, sections and subdivisions of this Lease have been used for convenience only and will not modify or restrict any of the terms or provisions of this Lease.

Section 11.14 Applicable Law. The validity, construction and effect of this Lease will be governed by the law of the State of New Mexico applicable to agreements made and to be performed in the State of New Mexico, without regard or effect given to conflict of law principles or rules that would require the application of the laws of any other jurisdiction.

Section 11.15 Subordination. The Issuer agrees to subordinate its title and interest in and to the Project Property and its rights as lessor under this Lease, to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably require to evidence such subordination. The Bond Ordinance authorizes the Chairman and Vice Chairman of the Board of County Commissioners of the Issuer to execute and deliver any agreements or other documents providing for such subordination.

IN WITNESS WHEREOF, the Issuer and the Company have executed this Lease the date set forth above.

**ISSUER:**

**LEA COUNTY, NEW MEXICO,  
a political subdivision of the State of New Mexico  
acting through its Board of County  
Commissioners**


By: 

Name: Harry Teague

Its: Chairman of the Board of County  
Commissioners

**COMPANY:**

**LOUISIANA ENERGY SERVICES, L.P.**

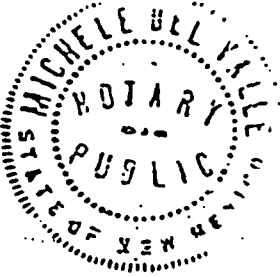
By: 

Name: E. James Ferland

Its: President and Chief Executive Officer

State of New Mexico                    )  
                                                  ) ss.  
County of SANTA FE                    )

This instrument was acknowledged before me on January 20, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.



Michele Del Valle  
Notary Public

My commission expires: May 18, 2004

State of New Mexico                    )  
                                                  ) ss.  
County of SANTA FE                    )

This instrument was acknowledged before me on January 20, 2004, by E. James Ferland, as President and Chief Executive Officer of Louisiana Energy Services, L.P., a Delaware limited partnership.



Michele Del Valle  
Notary Public

My commission expires: May 18, 2004



## EXHIBIT A: DESCRIPTION OF PROJECT SITE

The Project Site consists of the following:

A parcel of land within Section 32, Township 21 South, Range 38 East, New Mexico Principal Meridian, Lea County, New Mexico and being more particularly described as follows:

BEGINNING at the one-quarter corner between Sections 31 and 32 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N00°38'22"W along the section line between Sections 31 and 32 a distance of 2638.37 feet to the corner of Sections 29, 32, 31 and 30 (a found GLO brass cap on a 2-inch iron pipe);

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to a set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239";

THENCE N89°18'08"E along the section line between Sections 29 and 32 a distance of 2640.69 feet to the corner of Sections 28, 33, 32 and 29 (a found GLO brass cap on a 2-inch iron pipe);

THENCE S00°39'20"E along the section line between Sections 32 and 33 a distance of 2640.49 feet to the one-quarter corner between Sections 32 and 33 (a found GLO brass cap on a 1-inch iron pipe);

THENCE S00°41'56"E along the section line between Sections 32 and 33 a distance of 2324.52 feet to a found railroad iron marking the right-of-way for New Mexico State Highway No. 234; from whence the corner of Sections 33 and 32 of Township 21 South, Range 38 East, and Sections 4 and 5 of Township 22 South, Range 38 East (a found 1/2-inch rebar) bears S00°41'56"E a distance of 340.08 feet;

THENCE N80°10'49"W along the observed northerly right-of-way line of New Mexico State Highway No. 234 a distance of 5377.12 feet to a point of intersection with the section line between Sections 31 and 32 (set 5/8-inch rebar with a 2-inch aluminum cap marked "MUTH PLS 13239"); from whence the corner of Sections 31 and 32 of Township 21 South, Range 38 East and Sections 6 and 5 of Township 22 South, Range 38 East (a found GLO brass cap on a 2-inch iron pipe) bears S00°35'16"E a distance of 1321.66 feet;

THENCE N00°35'16"W along the section line between Sections 31 and 32 a distance of 1345.14 feet to the POINT OF BEGINNING.

## EXHIBIT B: PERMITTED LIENS

1. Taxes for the year 2004, and thereafter, not yet due and payable, and all assessments applicable to the Project Property.
2. All interests or matters of record applicable to the Project Site (including any conditions, easements, rights-of-ways, licenses, covenants, restrictions, indentures, patents, reservations, and any and all other interests or matters of record), including those shown on any recorded plats, and including, without limitations, the following:
  - (a) Reservations, conditions and stipulations as contained in Patent appearing of record in the New Mexico State Land Office under Patent No. 1202902.
  - (b) Title to all the oil, gas, minerals and mineral substances within and underlying the premises, together with the drilling rights thereto belonging.
  - (c) Oil and Gas Lease filed with the New Mexico State Land Office and labeled B-4467 dated 6-10-35, executed by and between The State of New Mexico and Gypsy Oil Company, assigned to Gulf Oil Corporation in Assignment filed with the New Mexico State Land Office 2-24-36. Gulf Oil Corporation, evidenced by those certain Articles of Merger filed with the New Mexico State Land Office, changed its name to Chevron U.S.A. Inc. Chevron U.S.A. Inc. partially assigned lease to Louisiana Energy Services, L.P., evidenced by Partial Assignment of Oil and Gas Lease filed with the New Mexico State Land Office on 8-28-03 and Partial Assignment of Oil and Gas Lease dated 8-22-03, filed 8-28-03, in Book 1249, Page 610, Lea County Records, Lea County, New Mexico.
  - (d) Pipeline Easement (unrecorded) as evidenced by that certain Conveyance, Assignment and Bill of Sale dated 12-24-90, effective 12-31-90, filed 1-2-91, in Book 536, Page 273, Miscellaneous Records, Lea County, New Mexico, executed by Enron Corp. fka Northern Natural Gas Company to Northern Natural Gas Company. RE: Pipeline Easement (NMG 203-18).
  - (e) Right of Way filed in the New Mexico State Land Office as Permit No. RW22760, executed by Commissioner of Public Lands, State of New Mexico, to Big Three Industries, Inc. As assigned in that certain Assignment of Right of Way and Easement approved and filed with the New Mexico State Land Office October 14, 1986 and executed by Big Three Industries, Inc. to Big Three Carbon Dioxide Company. Big Three Carbon Dioxide Company changed its name to Air Liquide America Corporation as indicated in Miscellaneous Instrument #8970 filed with the New Mexico State Land Office. Said Right of Way assigned by Air Liquide America Corporation to Trinity Pipeline L.P. evidenced by Assignment filed with the New Mexico State Land Office on 7-21-03. Said Right of Way is labeled Underground Pipeline as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, Survey Records, Lea County, New Mexico, and as additionally shown and labeled as Permit for Right-of-way-Air Liquide America Corporation, New Mexico State Land Office Permit No. RW22760 on Survey prepared by Pettigrew and Associates, dated 8-26-03, filed 8-26-03, in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(f) State of New Mexico Grazing Lease No. GR 1855 filed in the New Mexico State Land Office. Executed by the New Mexico State Land Office to Wallach Ranch, LLC. And as mentioned in those certain Probate Proceedings, Lea County Probate Court case no. 3932, filed 10-29-75, styled In The Matter of the Estate of Paul Wallach, Deceased and referenced as GR 527, by and between State of New Mexico and Paul Wallach.

(g) Encroachment of the fence along the western boundary as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(h) Rights of Wallach Ranch, LLC and Wallach Concrete, Inc. set forth in those certain unrecorded Letter Agreements dated 8-22-03 and that certain unrecorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P. in and to the road running North to South along the center line of the property as shown on Survey prepared by Pettigrew and Associates, dated 8-14-03, filed 8-14-03, in Book 1, Page 566, and in Book 1, Page 568, Survey Records, Lea County, New Mexico.

(i) The agreements, covenants and conditions including but not limited to the first right of refusal in favor of Wallach Ranch, LLC as mentioned in those certain unrecorded Letter Agreements dated 8-22-03 and that certain un-recorded Non-Disturbance Agreement dated 9-1-03 executed by and between Wallach Ranch, LLC, Wallach Concrete, Inc. and Louisiana Energy Services, L.P.

(j) The terms and conditions of that certain Easement No. RW28583 executed by the Commissioner of Public Lands, State of New Mexico on 8-20-03 to Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on August 22, 2003, as file no. RW28583, and filed in the Lea County Records on 1-22-04, as file no. 50770.

(k) The terms and conditions of that certain Agreement Regarding Land Use Restriction or Condition effective 8-22-03 executed by and between the Commissioner of Public Lands, State of New Mexico and Louisiana Energy Services, L.P., a Delaware Limited Partnership, and filed in the New Mexico State Land Office on January 20, 2004, as file no. LURC # 3, and filed in Lea County Records on 1-22-04 as file no. 50771.

3. Any matters applicable to the Project Site pertaining to or arising out of circumstances existing on or before the date of this Lease, and including, but not by way of limitation:

- i. Rights or claims of parties in possession not shown by the public records, and easements or claims of easements, not shown by the public record.
- ii. Encroachments, overlaps, roadways, overlays, conflicts in boundary lines, shortages in area, or other matter which would be disclosed by an accurate survey and inspection of the Project Site.

- iii. Unpatented mining claims; reservations or exceptions in patents or in acts authorizing the issuance thereof; water rights claims or title to water.
- iv. Taxes or assessments which are not shown as existing liens by the public records, or any assessments against the Project Site.
- v. Any easement rights as a result of any roadways or rights-of-way affecting the Project Site.

## SCHEDULE I

The Company has been advised by the NRC that it has commenced an internal investigation of a matter involving the submission by the Company of its license application before the NRC ("License Application") on December 12, 2003.

NRC regulations require that the portion of the License Application that addresses the classified information for the facility be filed separately from the rest of the License Application. When the License Application was filed, the classified information for the facility was sent to an NRC address identified in the NRC regulations. Although the Company also consulted the NRC's website, which indicated a change to the regulation (specifying a different address for submittal of classified information) would go into effect on January 1, 2004, the Company decided to use the address in the regulations in effect at that time:

About a week after the License Application was submitted to the NRC, the NRC notified the Company that the classified information had been mailed to the wrong address, and that the Company should have called the NRC to obtain the proper address. This proper address was not previously provided in any NRC documents other than as stated in the revised regulation that became effective on January 1, 2004.

As a result, the Company was advised that an NRC internal investigation is now ongoing, and even though the Company has taken appropriate corrective action, it is possible the NRC could issue a violation for sending the classified information for the facility to the wrong NRC address. In the event a violation is found to have occurred, it is the Company's position that this will not have a material adverse effect on the Company, the Project Property, the Company's ability to perform under the Bond Documents or the License Application.

50773

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

JAN 22 2004 A  
at 11:46 a'clock  
and recorded in Book 1279^M  
Page 420  
Melinda Hughes, County Clerk  
By [Signature] Deputy



63  
28

50774

LEA COUNTY, NEW MEXICO,  
as Issuer,

BANK OF ALBUQUERQUE, N.A.,  
a national banking association,  
as Depository

and

NEF SERIES 2004, LLC,  
a Delaware limited liability company,  
as Purchaser

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INDENTURE

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Dated January 22, 2004

Securing

\$1,800,000,000  
Lea County, New Mexico  
Industrial Revenue Bond  
(National Enrichment Facility Project)  
Series 2004

This instrument constitutes a security agreement with respect to certain personal property under the laws of the State of New Mexico.

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THIS INDENTURE is made this 22nd day of January, 2004, among LEA COUNTY, NEW MEXICO, a political subdivision of the State of New Mexico, duly organized and existing pursuant to the constitution and laws of the State of New Mexico acting through its Board of County Commissioners (together with its successors and assigns, the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees of the Bond (defined below), the "Purchaser"), and BANK OF ALBUQUERQUE, N.A., a national banking association (together with its successors and assigns, the "Depository").

## ARTICLE I - RECITALS

Section 101. The Act. Pursuant to the County Industrial Revenue Bond Act, Chapter 4, Article 59 NMSA 1978 (the "Act"), the Issuer is authorized to acquire, construct and equip certain industrial or commercial projects and to issue its industrial revenue bonds to finance such projects and certain related costs. Such bonds are payable solely out of revenue of the leasing of such projects. Such bonds may be further secured by an assignment of the Issuer's interest in the lease agreement respecting the project to be acquired, constructed and equipped. Under the Act, a project may include land, buildings, machinery, equipment, furnishings and other property deemed necessary in connection with such project.

Section 102. Government Proceedings. Louisiana Energy Services, L.P., a Delaware limited partnership that is registered to transact business in New Mexico (together with its successors and assigns, the "Company"), has presented to the Issuer a proposal ("Project Plan") relating to the issuance of industrial revenue bonds and the acquisition, construction and installation by the Company of a uranium enrichment facility to be located within Lea County and not within the boundaries of any incorporated municipality in the County. Following consideration of the Company's proposal, the Board of County Commissioners (the "Board") on December 16, 2003 adopted Ordinance No. 58 (the "Bond Ordinance"), authorizing, among other matters, (i) the issuance of the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004 (the "Bond") in an aggregate principal amount not to exceed \$1,800,000,000, and (ii) the execution and delivery of this Indenture.

Section 103. The Lease. The Issuer has entered into a Lease and Purchase Agreement dated the date of this Indenture (together with any and all amendments and supplements, the "Lease") with the Company, under which the Issuer has leased the Project Property (as defined in the Lease) to the Company and the Company has agreed to make rental payments in amounts sufficient to pay the principal of, interest on and redemption price of the Bond when due. For the purpose of providing security for the payment of the principal of, interest on and redemption price of the Bond, the Issuer wishes to assign to the Purchaser certain of its interests in the Lease, but reserving the Unassigned Rights.

Section 104. The Indenture; Collateral Pledge. The Bond is to be issued under this Indenture, which constitutes a security agreement and a collateral pledge of the Lease to the Purchaser.

Section 105. Conditions Precedent Performed. The Issuer is unaware of any act, condition or thing required on the part of the Issuer by the constitution and laws of the State to happen, exist or be performed precedent to and for the execution and delivery of this Indenture

and the issuance of the Bond except such as do exist and have happened and have been performed.

## ARTICLE II - DEFINITIONS AND RULES OF CONSTRUCTION

Section 201. Meanings of Words and Terms. All words and terms defined in the Lease have the same meanings when used in this Indenture. In addition to the definitions in the Recitals, Section 101 hereof, the capitalized words and terms used in this Indenture shall have the following meanings:

"Acquisition Account" has the meaning assigned in Section 601.

"Authorized Company Representative" means any one of the persons at the time designated to act on behalf of the Company in a certificate furnished to the Issuer and the Depository containing the specimen signatures of such persons and signed on behalf of the Company by an officer of the Company.

"Bond" means the Lea County, New Mexico Industrial Revenue Bond (National Enrichment Facility Project) Series 2004.

"Bond Documents" means this Indenture, the Lease and the Bond Purchase Agreement.

"Bond Ordinance" has the meaning assigned in Section 102 hereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated the date of this Indenture, among the Purchaser, the Issuer and the Company.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions in the State are authorized or required to close.

"Closing Date" means the date of issuance of the Bond.

"Company" has the meaning assigned in Section 102 hereof.

"Completion Date" has the meaning assigned in Section 4.1(c) of the Lease.

"Default" has the meaning assigned in Section 801 hereof.

"Depository" has the meaning assigned in the first paragraph of this Indenture.

"Event of Default" has the meaning assigned in Section 8.1 of the Lease.

"Indenture" means this Indenture, together with any and all amendments and supplements.

"Interest Payment Date" means the Maturity Date and each anniversary of the Closing Date until the Maturity Date.

"Issuer" has the meaning assigned in the first paragraph of this Indenture.

"Lease" has the meaning assigned in Section 103 hereof.

"Maturity Date" means the thirtieth anniversary of the Closing Date, in 2034.

"Parties" means the Issuer, the Company, the Purchaser and the Depository.

"Party" means any one of the Parties.

"Payment of the Bond" means payment in full of the principal of and interest on the Bond in accordance with its terms and the provisions of this Indenture and payment of all fees and expenses of the Issuer and the Depository payable by the Company under this Indenture, the Lease and the Bond Purchase Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision.

"Purchaser" means NEF Series 2004, LLC, a Delaware limited liability company, together with its successors and assigns, and permitted transferees of the Bond.

"Related Costs" means expenditures incurred by or to be incurred by the Company with respect to the issuance of the Bond and to the acquisition, construction and installation of the Project Property in accordance with the Project Plan.

"Revenues" means Rent and all other amounts to be received by the Issuer or the Depository in respect of the Project, including all amounts and investments in the funds and accounts created hereunder and all income and profits thereon.

#### Section 202. Rules and Construction.

(a) All references in this Indenture to particular articles, sections or exhibits are references to articles or sections of or exhibits to this Indenture unless some other reference is established.

(b) Any inconsistency between the provisions of the Lease and the provisions of this Indenture will be resolved in favor of the provisions of this Indenture.

Section 203. Bond Not General Obligation of Issuer. Neither the faith and credit nor the taxing power of the State or any of its political subdivisions, including the Issuer, is pledged to the payment of the principal of, interest on or redemption price of the Bond. The Bond will be payable by the Issuer solely out of the Revenues (but excluding Additional Payments), proceeds and receipts and other security pledged hereby. The principal of, interest on and redemption price of the Bond will never constitute a debt or indebtedness or general obligation of the Issuer within the meaning of any State constitutional provision or statutory limitation. The Bond will never constitute or give rise to a pecuniary liability of the Issuer or be a charge against its general

credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

### ARTICLE III - GRANT

Section 301. Pledge. In consideration of the purchase of the Bond by the Purchaser, and in order to secure the payment of the principal of, interest on and redemption price of the Bond, and in order to secure the performance by the Issuer of its obligations under this Indenture and the Bond, the Issuer pledges and assigns to the Purchaser and grants a security interest to the Purchaser in (i) all the Issuer's right, title and interest in and to the Lease and any other lease, sublease, license, easement, right-of-way or other grant of a possessory or use interest in the Project Property, to the extent the Issuer has any interest therein, including its rights to the Revenues, but reserving the Unassigned Rights under the Lease; and (ii) the moneys and investments in the Acquisition Account.

Section 302. Subordination. The Purchaser agrees to subordinate its rights as pledgee, assignee and secured party as provided in Section 301 hereof to any lender or other person or entity providing all or any part of the Project Financing and to enter into agreements as the Company may reasonably request to evidence such subordination.

Section 303. Release. If the principal of and interest on the Bond are paid in full to the Purchaser, all obligations of the Issuer as to the Bond under this Indenture will terminate, and the Purchaser will cancel and discharge the lien of this Indenture on the Project Property, and execute and deliver to the Issuer and the Company certificates of the Purchaser that all principal and interest due on the Bond have been paid. The County Clerk or a Deputy County Clerk of the Issuer is authorized to accept such a certificate of the Purchaser as evidence of the satisfaction of this Indenture.

### ARTICLE IV - AUTHORIZATION, FORM, EXECUTION AND DELIVERY OF BOND

Section 401. Authorization: Authorized Amount of Bond. The Bond is hereby authorized to be issued under and secured by this Indenture. The Bond will be issued as a single fully registered bond without coupons, in a principal amount not to exceed \$1,800,000,000. The Bond will be numbered R-1. No bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of the Bond that may be issued under this Indenture is expressly limited to \$1,800,000,000. No additional bonds may be issued. The Bond may be transferred only in accordance with its terms.

Section 402. Form of Bond. The Bond will be in substantially the form of Exhibit A attached hereto, and by this reference, made a part hereof. The Bond will be dated the date of its issue and delivery to the Purchaser, and amounts advanced with respect to the Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on the Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months, and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to the Bond shall be subject to such terms and conditions as set forth in the Bond Purchase Agreement and this Indenture. Interest on principal amounts outstanding under the Bond shall be payable on each Interest Payment Date. The entire principal amount of the Bond shall be payable in one payment at maturity on the Maturity Date.

Section 403. Execution and Delivery. The Bond will be signed by the Chairman or Vice Chairman of the Board of County Commissioners and the County Clerk or a Deputy County Clerk of the Issuer and delivered to the Purchaser on the date of the execution and delivery of this Indenture. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond and will pay the purchase price of the Bond to the Depository on account of the Issuer as set forth in Sections 404 and 601 hereof. Prior to delivery by the Issuer to the Purchaser of the Bond, the following will be delivered to the Purchaser:

- a. a certified copy of the Bond Ordinance authorizing the issuance of the Bond and the execution, delivery and performance of this Indenture and the Lease; and
- b. original executed counterparts of this Indenture, the Lease and the Bond Purchase Agreement.

Section 404. Advances. Subject to the terms and conditions of the Bond Purchase Agreement, the Purchaser will purchase the Bond upon the execution and delivery of this Indenture and will pay the purchase price of the Bond in an amount up to the maximum principal amount of \$1,800,000,000 at the time of delivery of the Bond or based on advances requested by notice of the Company to the Purchaser and Depository, as set forth in Section 2 of the Bond Purchase Agreement. Promptly upon receipt of notice from the Company requesting an advance, the Purchaser will, so long as no Default has occurred and is continuing, pay the amount of the advance requested in such notice to the Depository for deposit in the Acquisition Account; provided that the aggregate amount of such advances will not exceed \$1,800,000,000. The records of the Depository will be conclusive as to the aggregate amount of advances requested and made, absent manifest error. The Purchaser is authorized to endorse on the schedule attached to the Bond the date and amount of each such advance and each principal payment on and redemption in part of the Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of any of the Parties on or with respect to the Bond.

Section 405. Application of Payments. Payments received by the Purchaser with respect to the redemption of all or any portion of the Bond will be applied first to the principal amount to be redeemed and then to accrued interest, if any, on such principal amount. All other payments received by the Purchaser with respect to the Bond will be applied first to accrued interest on and then to the unpaid principal of the Bond. If such payments exceed accrued interest on and the unpaid principal of the Bond, the Purchaser will pay such excess to the Company.

Section 406. Bond Registration. The Company will maintain a registration book showing the name and address of the holder of the Bond. Upon the Company's receipt of notice of the transfer of the Bond in accordance with its terms, together with other required documentation, the Company will cause the registration book to reflect the name and address of the transferee, unless a trustee for bondholders is appointed as provided in this Indenture, in which event such trustee shall maintain such registration book.

## ARTICLE V - REDEMPTION

If the Company gives notice to the Issuer, the Depository and the Purchaser as provided in Article IX of the Lease that the Bond will be redeemed in whole or in part, and the Company pays principal of and accrued interest, if any, on all or such portion of the Bond, then all or such portion of the Bond shall be deemed to have been redeemed by the Issuer on the date the Company pays the redemption price in an amount equal to the principal amount to be redeemed plus accrued interest, if any, on such principal amount to the redemption date. The Bond shall be subject to mandatory redemption in whole if (i) a Default has occurred and is continuing and the Purchaser declares all unpaid principal of and interest on the Bond immediately due and payable as provided in Section 802 hereof or (ii) the Company notifies the Issuer, the Purchaser and the Depository that the NRC License will not be issued, whereupon any and all unpaid principal of and interest on the Bond shall be immediately due and payable without further notice and the Lease shall terminate subject to the provisions of the Lease with respect to early termination.

## ARTICLE VI - THE ACQUISITION ACCOUNT

Section 601. Creation; Deposits. A special account is hereby created with the Depository and designated "Lea County, New Mexico IRB (National Enrichment Facility Project) Series 2004 Acquisition Account" (the "Acquisition Account"). Any moneys received by the Depository on account of any advances of principal under Section 404 will be deposited in the Acquisition Account. The moneys in the Acquisition Account will be held by the Depository and will, subject to the provisions of Sections 605 and 606, be applied to the payment of Related Costs and, pending such application, will be subject to a lien in favor of the Purchaser.

Section 602. Disbursements. The Depository will make payments of Related Costs from the Acquisition Account, but only upon receipt of a requisition and certificate in the form of Exhibit B attached hereto signed by an Authorized Company Representative, stating to whom the payment is to be made, the general purpose for which the obligation to be paid was incurred, and that:

(a) obligations in the stated amounts were incurred for Related Costs and are due and payable (or, if the Company is indicated as the payee, were duly paid by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(b) to the best knowledge of such Authorized Company Representative, there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such Persons to receive payment of, the respective amounts stated in such requisition that has not been released or will not be released simultaneously with the payment of such obligation; and

(c) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of such Authorized Company Representative, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project, and (iii) to the best knowledge of such Authorized Company Representative, either such materials or supplies are

not subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of the requisition.

Section 603. Depository May Rely on Requisitions. All requisitions and certificates received by the Depository as conditions of payment from the Acquisition Account may be conclusively relied upon by the Depository and will be retained by the Depository until the Maturity Date, subject at all reasonable times to examination by the Issuer and other Parties and their respective agents and representatives.

Section 604. Status Reports. Within 30 days after each December 31 occurring after the issuance of the Bond and prior to the Completion Date, and within 30 days after the date of disbursement of all remaining monies in the Acquisition Account, if such disbursement occurs after the Completion Date, the Depository will prepare and send to the Company a written report describing any and all moneys and investments on deposit in the Acquisition Account as of such December 31 (if applicable), and all deposits into and disbursements from the Acquisition Account, if any, during the twelve-month period ending on such December 31 or on the date of such final disbursement, as applicable. The Depository will provide copies of all such reports to the Issuer upon the Issuer's written request.

Section 605. Completion Date. Upon receipt of a certificate from the Company, in the form of Exhibit C attached hereto, signed by an Authorized Company Representative, establishing the Completion Date, the Depository will, to the extent moneys are available therefor, set aside the moneys necessary for the payment of the Related Costs incurred by the Company but not then due or payable as set forth in such certificate and then will transfer any moneys remaining in the Acquisition Account to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys). Notwithstanding anything to the contrary in this Section 605, all moneys, if any, in the Acquisition Account on the Completion Date shall be paid to the Company for use in connection with the Project or for payment of debt service on the Bond (but the Depository and the Issuer shall have no duty to inquire into or otherwise monitor the Company's use of such moneys).

Section 606. Payment on Acceleration. If the Purchaser declares the unpaid principal of and accrued interest on the Bond to be immediately due and payable pursuant to Section 802, the Depository will promptly pay all moneys then held in the Acquisition Account to the Purchaser and the Purchaser shall apply such moneys to the unpaid principal of and accrued interest on the Bond.

Section 607. Investments. An Authorized Company Representative will direct the Depository in writing to invest and reinvest moneys in the Acquisition Account in short-term interest-bearing securities or funds or other investments which are at the time authorized under the Act, including but not limited to money market funds maintained by the Depository. Such investments will be deemed at all times to be a part of the Acquisition Account. Any interest accruing on any such investment and any profit realized from such investment will be credited to the Acquisition Account. Any loss resulting from any such investment will be charged to the Acquisition Account. The Depository will use all reasonable efforts to sell at the best price obtainable or present for redemption any such investment when necessary in order to provide cash to meet any payment or transfer from the Acquisition Account. Neither the Depository nor

the Issuer will be liable or responsible for any loss resulting from any such investment or for the early termination thereof if such early termination is required for compliance with the terms of this Indenture. The Depository may make any such investment through its own or its affiliated bond or investment department, unless otherwise directed in writing by an Authorized Company Representative.

## ARTICLE VII - PARTICULAR COVENANTS AND PROVISIONS

Section 701. Extent of Covenants; Disclaimer of Liability. It is expressly made a condition of this Indenture that any covenants, stipulations, obligations, representations or agreements contained herein or contained in the Bond do not and will never give rise to a personal or pecuniary liability or be a charge against the general credit or taxing powers of the Issuer, and in the event of a breach of any such covenant, stipulation, obligation, representation or agreement, no personal or pecuniary liability or charge payable by the Issuer directly or indirectly from the revenues of the Issuer other than the Revenues (but excluding Additional Payments) will arise therefrom. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THE BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THE BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE. THE BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS. NONE OF THE PROVISIONS OF THIS INDENTURE SHALL REQUIRE THE ISSUER TO EXPEND OR RISK ITS OWN FUNDS OR TO OTHERWISE INCUR FINANCIAL LIABILITY IN THE PERFORMANCE OF ANY OF ITS DUTIES OR IN THE EXERCISE OF ANY OF ITS RIGHTS OR POWERS HEREUNDER UNLESS IT SHALL HAVE FIRST BEEN ADEQUATELY INDEMNIFIED TO ITS SATISFACTION AGAINST THE COST, EXPENSE AND LIABILITY WHICH MAY BE INCURRED THEREBY.

Section 702. Performance; Authority. The Issuer covenants that it will faithfully perform all covenants and agreements of the Issuer contained in this Indenture and in the Bond. The Issuer represents that it is duly authorized under the constitution and laws of the State of New Mexico, including the Act, to issue the Bond, to execute and deliver this Indenture, and to pledge the Revenues (but excluding amounts described in Subsection 5.3(b)(ii) of the Lease and any amount for indemnification of the Issuer) described in this Indenture, and that it has taken all actions required on its part for the issuance of the Bond, and for the execution and delivery of this Indenture, the Bond Purchase Agreement and the Lease.

Section 703. Obligations Under the Lease. The Issuer: (i) will perform all of its obligations under the Lease, (ii) will not execute or agree to a change, amendment or modification of or supplement to the Lease except by a supplement or an amendment duly executed by the Company with the written approval of the Purchaser, (iii) will not agree to any abatement, reduction or diminution of the Basic Rent without the approval of the Purchaser, and (iv) will not interfere with or otherwise hinder the Purchaser's efforts to exhaust or enforce all legal remedies against the Company for payment of amounts owed under the Lease. The parties



acknowledge that except for Issuer's remedies under Sections 8.3 and 8.4 of the Lease, the Issuer shall not enforce the Lease unless specifically authorized in writing by the Purchaser. However, any actions taken by the Issuer to enforce the Lease shall be at the expense of the Company.

## ARTICLE VIII - DEFAULT AND REMEDIES

Section 801. Defaults. Each of the following events is a "Default":

(a) failure to pay any installment of principal of, interest on or redemption price of the Bond when due and such failure continues for a period of five Business Days;

(b) an Event of Default under the Lease occurs and is continuing; or

(c) the Company fails to perform any covenant contained in this Indenture or the other Bond Documents, other than as specified in subsections (a) and (b) above, and such failure is not cured within 30 Business Days after receipt of notice of such failure from any other Party, or, if such failure cannot reasonably be remedied within 30 Business Days, failure by the Company to commence the remedy within such period and to pursue the same diligently to completion.

Section 802. Acceleration. If a Default has occurred and is continuing, the Purchaser may by notice to the other Parties declare the then unpaid principal of and all accrued interest on the Bond to be immediately due and payable. Upon such declaration the same will be immediately due and payable by the Company; provided, however, that the Purchaser, by written notice to the other Parties, may annul such declaration and void its effect and waive any such default if all reasonable charges and expenses of the Issuer and the Depository and their agents and counsel shall have been paid or provided for.

Section 803. Issuer and Depository Not Responsible. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. Except as otherwise provided in the Lease, all rights and remedies arising from or related to any Default are the rights and remedies of the Purchaser; provided that, upon request of the Purchaser, the Issuer will cooperate with the Purchaser in the lawful enforcement of its rights and remedies under the Bond Documents upon receipt of indemnity satisfactory to the Issuer against any out-of-pocket cost, expense (including any counsel fees and expenses) or liability the Issuer may incur or suffer as a result of or in connection with such cooperation, subject to the provisions concerning the appointment of a trustee set forth in Article X.

## ARTICLE IX - THE DEPOSITORY

Section 901. Acceptance of Duties. The Depository accepts the duties imposed on it by this Indenture, but only on the following express terms and conditions:

(a) The Depository undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations will be read into this Indenture against the Depository. Unless previously terminated by the Company, the Depository's duties hereunder shall continue, subject to the provisions of Subsection 904(d), until

the occurrence of the Completion Date and the disbursement of all moneys remaining on deposit in the Acquisition Account as provided in Section 605.

(b) In the absence of gross negligence or willful misconduct on its part, the Depository may conclusively rely on certificates or notices furnished to the Depository and conforming on their faces to the requirements of this Indenture or the Lease, as the case may be; but if any such certificates or notices are specifically required to be furnished to the Depository under this Indenture or the Lease, the Depository will examine the same to determine whether they conform on their face to the requirements of this Indenture or the Lease, as the case may be.

(c) No provision of this Indenture will be construed to relieve the Depository from liability for its own gross negligence or willful misconduct.

(d) The Depository may consult with counsel and other professionals and the advice of such counsel and other professionals shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Depository hereunder in good faith and in reliance thereon.

(e) The Depository shall be under no obligation to take any action or exercise any right or power under this Indenture unless the Purchaser shall first have provided to the Depository, its directors, officers, agents and employees, security or indemnity satisfactory to the Depository against the reasonable costs (including without limitation reasonable fees of attorneys), expenses and liabilities that might be incurred by the Depository in connection therewith.

Section 902. Compensation. The Company will pay to the Depository its reasonable fees and charges and all of its reasonable expenses (including reasonable counsel fees and expenses) as Additional Payments in accordance with the Lease; provided, however, that such fees, charges and expenses may be more specifically determined by an agreement between the Depository, the Company and the Purchaser.

Section 903. Qualification. The Depository must be an association or a corporation organized and doing business under the laws of the United States of America or of any state, be granted trust powers under such laws and be subject to supervision or examination by federal or state banking authorities. If at any time the Depository ceases to be eligible in accordance with the provisions of this Section 903, it will resign immediately in the manner and with the effect specified in Section 904.

Section 904. Resignation and Removal.

(a) No resignation or removal of the Depository and no appointment of a successor Depository will become effective until the acceptance of appointment by the successor Depository under Section 905. If a successor Depository does not take office within 90 days after the retiring Depository resigns or is removed, the retiring Depository or the holder of the Bond may petition any court of competent jurisdiction for the appointment of a successor Depository.

(b) The Depository may resign at any time by notice to the other Parties. If an instrument of acceptance by a successor Depository has not been delivered to the retiring Depository within 60 days after the giving of such notice of resignation, the retiring Depository may petition any court of competent jurisdiction for the appointment of a successor Depository.

(c) The Depository may be removed at any time by the Company or the Purchaser upon notice to the other Parties.

(d) The Depository will be automatically removed on the occurrence of the Completion Date and the application of all moneys on deposit in the Acquisition Account as provided in Section 605. No successor Depository shall thereafter be appointed and each reference to the Depository in this Indenture and the Lease will thereafter be ineffective, except that the Depository will continue to have the obligation to (1) retain records as provided in Section 603 until the Maturity Date, and (2) if applicable, prepare and send a final report to the Company as provided in Section 604.

(e) If the Depository resigns or is removed (except as provided in subsection (d) of this Section 904), the Company will promptly appoint a successor Depository and give written notice of such appointment to the Issuer, the Purchaser and the retiring or removed Depository.

#### Section 905. Successor Depository.

(a) Every successor Depository appointed under this Indenture will execute, acknowledge and deliver to its predecessor and the other Parties an instrument accepting such appointment, and thereupon such successor Depository, without any further act, will become fully vested with all the rights, and subject to all the obligations, of its predecessor; but such predecessor will, nevertheless, on the request of its successor, the Issuer, the Company or the Purchaser execute and deliver an instrument or instruments transferring to such successor Depository all the rights of such predecessor under this Indenture. Every predecessor will deliver all property and moneys held by it under this Indenture to its successor. The Issuer and the Purchaser will execute, acknowledge and deliver any instrument reasonably required by any successor Depository to more fully and certainly vest in such Depository the rights vested in the predecessor Depository by this Indenture.

(b) Notwithstanding any of the foregoing provisions of this Article, any Person qualified to act as Depository under this Indenture with or into which the Person acting as Depository may be merged or consolidated, or to which the corporate trust assets and corporate trust business of such Person may be sold, will automatically become the successor Depository.

### ARTICLE X - SUPPLEMENTS AND AMENDMENTS TO INDENTURE

This Indenture may be supplemented or amended only by one or more instruments executed by the Issuer, the Purchaser and the Depository and consented to in writing by the Company. The Depository will execute any such proposed supplement or amendment on the request of the Company or the Purchaser unless the Depository determines in good faith that its rights or obligations under this Indenture would be materially adversely affected by such supplement or amendment. If the rights or obligations of the Depository would be materially and adversely affected by such supplement or amendment, as determined in good faith by the

Depository, the Depository will have no liability for its refusal to enter into such supplement or amendment. Notwithstanding the generality of the foregoing, if the Purchaser gives notice to the Issuer, the Depository and the Company of the Purchaser's desire to have a trustee appointed for the benefit of the Purchaser, the Parties will cooperate in amending this Indenture to facilitate such appointment. Nothing herein is intended to require the Issuer to act in a fiduciary capacity. If the Purchaser transfers the Bond to a holder other than the parent or an affiliate of the Company or the Purchaser, and if circumstances arise which would so require, the Issuer or the Purchaser has the right to request that a trustee be appointed by and at the expense of the Company and the Parties will cooperate in amending this Indenture to facilitate the making of such appointment and providing such other terms and provisions hereof as shall be reasonably requested by the Issuer or the Purchaser in regard to such transaction.

#### ARTICLE XI - MISCELLANEOUS PROVISIONS

Section 1101. Notices. All notices and reports required under this Indenture shall be deemed to be properly sent if in writing, signed by the Party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to the Issuer, the Company, the Purchaser or the Depository, as the case may be, at the following addresses, and such notices shall be effective on the date of receipt thereof:

If to the Issuer:

Lea County  
Lea County Courthouse  
100 North Main Street  
Lovington, NM 88260,  
Attn.: Dennis Holmberg, County Manager  
Phone: (505) 396-8601  
Fax: (505) 396-2093

with a copy to:

Modrall, Sperling, Roehl, Harris & Sisk, P.A.  
500 Fourth Street N.W.  
Suite 1000  
Albuquerque, New Mexico 87102  
Attention: Duane Brown and Peter Franklin

If to the Company:

Louisiana Energy Services, L.P.  
One Sun Plaza  
100 Sun Lane NE, Suite 204  
Albuquerque, NM 87109  
Attention: E. James Ferland, President and CEO  
Phone: (505) 944-0194  
Fax: (505) 944-0198

with a copy to: Rodey Law Firm  
201 Third St., Suite 2200  
Albuquerque, NM 87102  
Attention: Donald B. Mönzheimer  
Phone: (505) 766-7556  
Fax: (505) 768-7395

If to the Purchaser: NEF Series 2004, LLC  
One Sun Plaza  
100 Sun Lane NE, Suite 204  
Albuquerque, NM 87109  
Attention: E. James Ferland, President and CEO  
Phone: (505) 944-0194  
Fax: (505) 944-0198

If to the Depository: Bank of Albuquerque, N.A.  
201 Third St. NW, Suite 1400  
Albuquerque, NM 87102  
Attention: Corporate Trust Manager  
Phone: (505) 222-8446  
Fax: (505) 222-8453

Any Party may, by notice to each of the other Parties, designate any further or different addresses to which subsequent notices, certificates or other communications are to be sent.

Section 1102. Remedies. Except as otherwise provided in Section 14 of the Bond Purchase Agreement, Section 11.3 of the Lease and Section 1112 of this Indenture, no right or remedy conferred on any Party in any of the Bond Documents is intended to be exclusive of any other right or remedy. Each such right or remedy is in addition to every other right or remedy provided in any of the Bond Documents or by law. No delay or omission of any Party to exercise any such right or remedy will impair any such right or remedy or be construed to be a waiver. Every such right or remedy may be exercised from time to time and as often as the relevant Party may deem expedient. No waiver by any Party of any right or remedy with respect to any Default or Event of Default will extend to or affect any other existing or subsequent Default or Event of Default.

Section 1103. Beneficiaries. Nothing expressed or implied in any of the Bond Documents is intended or is to be construed to confer upon any Person other than the Parties (and in the case of Section 6.3 of the Lease, the Indemnified Parties; and in the case of Section 6 of the Bond Purchase Agreement, the Indemnified Parties) any right, remedy or claim, legal or equitable.

Section 1104. Severability. In the event any provisions of this Indenture or the Bond shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Indenture or the Bond; provided, however, that if enforcement of this Indenture or the Bond absent such invalid or unenforceable provisions would destroy an essential purpose of the issuance of the Bond, then

this Indenture or the Bond shall be deemed modified to the extent necessary to make it valid or enforceable consistent with the true intent hereof.

Section 1105. Obligations of Issuer Not Obligations of Officials Individually. All obligations of the Issuer under the Bond Documents and the Bond will be deemed to be obligations of the Issuer to the full extent permitted by the constitution and laws of the State. No obligation under any of the Bond Documents or the Bond will be deemed to be an obligation of any present or future officer (including, without limitation, any member of the Board of County Commissioners) or employee of the Issuer in his or her individual capacity, and no officer of the Issuer who executes the Bond will be personally liable on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 1106. Payments Due on Days That Are Not Business Days. If the date for any payment called for under any of the Bond Documents or the Bond is not a Business Day, then such payment will be made on the next Business Day and no interest on such payment will accrue for the period from such scheduled payment date to and including such next Business Day.

Section 1107. Execution in Counterparts. This Indenture may be executed in multiple counterparts, all of which taken together will constitute one instrument. Any Party may execute this Indenture by executing any such counterpart of this Indenture.

Section 1108. Amendments. This Indenture may be amended only by one or more instruments executed by the Issuer, the Depository and the Purchaser, and consented to in writing by the Company. The Issuer shall amend this Indenture as requested by the Company or a lender or other entity providing all or any part of the Project Financing (as defined in the Lease), provided any such amendment is not inconsistent with the Bond Ordinance.

Section 1109. Applicable Law. The validity, construction and effect of each of the Bond Documents will be governed by the law of the State applicable to agreements made and to be performed in the State, without regard or effect given to conflict of laws rules that would require the application of the laws of any other jurisdiction.

Section 1110. Survival. The provisions of Sections 901 and 902 of this Indenture shall survive payment of the Bond and the expiration or earlier termination of this Indenture.

Section 1111. Non-Merger. The provisions of this Indenture shall survive the conveyance of the Project Property to the Issuer, the reconveyance of the Project Property to the Company and all other performances hereunder, and shall not be deemed merged in any deed or other instrument or document delivered hereunder.

Section 1112. Limitation of Liability of Issuer. No agreements or provisions contained in any Bond Document or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project Property or any property of the Company financed, directly or indirectly, out of Bond proceeds or the issuance, sale and delivery of the Bond will give rise to any pecuniary liability of the Issuer, its officers or members of its governing body or constitute a charge against the Issuer's general credit, or obligate the Issuer financially in any way, except with respect to the funds or property available under the Lease or

the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture. No failure of the Issuer to comply with any terms, covenants or agreements in any Bond Document or in any document executed by the Issuer in connection with the Bond will subject the Issuer, its officers and members of its governing body to any pecuniary charge or liability except to the extent that the same can be paid or recovered from the Basic Rent.

Without limiting the requirement to perform its duties or exercise its rights and powers under the Bond Documents upon receipt of appropriate indemnity or payment, none of the provisions of any Bond Document will require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under any Bond Document. Nothing in any Bond Document will preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement in the Bond Documents, provided, that no costs, expenses or other monetary relief will be recoverable from the Issuer except as may be payable from the funds or property available under the Lease or the Indenture and pledged to the payment of the Bond, and their application as provided under this Indenture.

Section 1113. Title; Headings. The title and headings of the articles, sections and subdivisions of this Indenture have been used for convenience only and will not modify or restrict any of the terms or provisions of this Indenture.

Section 1114. Binding Effect. This Indenture shall inure to the benefit of and shall be binding upon the Issuer, the Purchaser, the Depository, and their respective successors and assigns.

Section 1115. Recording. The Lease, this Indenture and every assignment and modification hereof, or an appropriate and sufficient memorandum thereof, shall be recorded in the office of the County Clerk of Lea County, New Mexico. The Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded before the recordation of this Indenture. The recording of any document under this Section 1115, and the filing of any financing statement (including amendments, continuation statements and terminations) pertaining to the Lease, this Indenture or the Bond, if deemed necessary, unless waived by the Purchaser, shall be the responsibility of the Company. The Purchaser may record or file any document if the Company refuses or fails to do so.

Section 1116. No Waiver. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement, and in case of a breach by any party of any covenant, agreement or undertaking, the non-defaulting parties may nevertheless accept from the party in breach any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

Section 1117. No Violation of Public Policies Regarding Indemnity. Notwithstanding any other term or condition of this Indenture, to the extent, if at all, that Section 56-7-1 NMSA 1978, as amended, is applicable to any agreement to indemnify, hold harmless, insure, or defend another party contained herein or in any related documents, such agreement will not extend to


liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.



IN WITNESS WHEREOF, the Parties have executed this Indenture the date set forth above.

**ISSUER:**

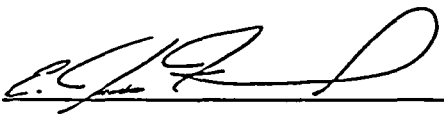
**LEA COUNTY, NEW MEXICO,  
a political subdivision of the State of New Mexico  
acting through its Board of County  
Commissioners**

By:   
Name: Harry Teague

Its: Chairman of the Board of County  
Commissioners

**PURCHASER:**

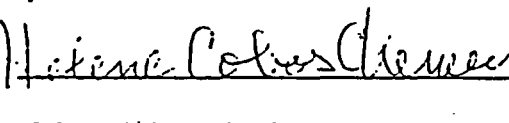
**NEF SERIES 2004, LLC**

By:   
Name: E. James Ferland

Its: President and Chief Executive Officer

**DEPOSITORY:**

**BANK OF ALBUQUERQUE, N.A.**

By:   
Name: Helene Cobos-Chenier

Its: Vice President and Trust Officer

State of New Mexico )  
 ) ss.  
County of SANTA FE )

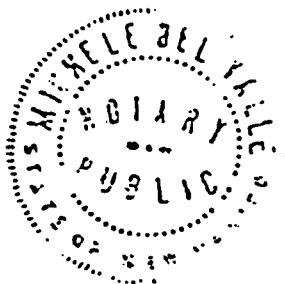
The foregoing instrument was acknowledged before me on January 20, 2004, by Harry Teague, as Chairman of the Board of County Commissioners of Lea County, New Mexico, a political subdivision of the State of New Mexico acting through its Board of County Commissioners.



Michele Del Valle  
Notary Public  
My commission expires: May 18, 2004

State of New Mexico )  
 ) ss.  
County of SANTA FE )

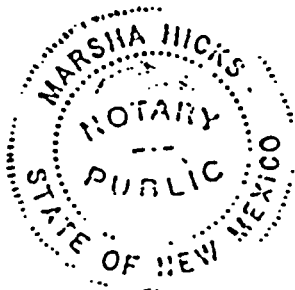
The foregoing instrument was acknowledged before me on January 20, 2004, by E. James Ferland, as President and Chief Executive Officer of NEF Series 2004, LLC, a Delaware limited liability company.



Michele Del Valle  
Notary Public  
My commission expires: May 18, 2004

State of New Mexico )  
 ) ss.  
County of Bernalillo )

This instrument was acknowledged before me on January 21, 2004, by Helene Cobos-Chenier, as Vice President and Trust Officer of Bank of Albuquerque, N.A., a national banking association.



Marsha Hicks  
Notary Public  
My commission expires: January 2, 2006

**EXHIBIT A**

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT  
OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW AND  
IS TRANSFERABLE ONLY UPON COMPLIANCE WITH THE INDENTURE  
AND PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS  
APPLICABLE TO THE TRANSFER AT THE TIME OF THE TRANSFER

No. R-1

Up to \$1,800,000,000

United States of America  
State of New Mexico

Lea County, New Mexico  
Industrial Revenue Bond  
(National Enrichment Facility Project)  
Series 2004

**MATURITY DATE**

January __, 2034

**ISSUE DATE**

January __, 2004

LEA COUNTY, NEW MEXICO, a governmental subdivision of the State of New Mexico, duly organized and existing under the constitution and laws of the State of New Mexico (the "Issuer"), for value received, promises to pay, solely from the source described below, to NEF Series 2004, LLC, a Delaware limited liability company (together with its successors and assigns, and permitted transferees, the "Purchaser"), on the Maturity Date, One Billion Eight Hundred Million Dollars (subject to prior optional or mandatory redemption as described below) or so much of such amount as has been advanced by the Purchaser and is outstanding and interest thereon as hereinafter provided. Amounts advanced with respect to this Bond shall bear interest from the dates such advances are made at 5% per annum. Interest on this Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months and the obligation to pay interest shall continue until payment in full of the principal amount thereof. Advances made with respect to this Bond shall be subject to the terms and conditions set forth in the Bond Purchase Agreement and the Indenture (as those instruments are identified below). Interest on principal amounts outstanding under this Bond shall be payable on each anniversary of the Issue Date commencing January __, 2005 until and including the Maturity Date (each an "Interest Payment Date"). The entire principal amount of this Bond shall be payable in one payment on the Maturity Date. Payment of the principal of and interest due on the Maturity Date will be made upon presentation and surrender of this Bond for cancellation at the principal offices of the Company (as defined below). This Bond is subject to prior redemption at the times and at the redemption prices specified in the Indenture.

This Bond was duly authorized and is issued under and pursuant to the constitution and laws of the State of New Mexico, particularly Chapter 4, Article 59 NMSA 1978, as amended (the "Act"), and under and pursuant to Ordinance No. 58, duly adopted by the Issuer. This Bond

has been issued by the Issuer in connection with an industrial revenue bond project pursuant to the Act as described below.

The principal of, interest on and redemption price of this Bond are payable by the Issuer solely from the proceeds of the Bond and certain revenues derived by the Issuer from the leasing and sale of a commercial project under and pursuant to a Lease and Purchase Agreement dated the Issue Date (the "Lease") between the Issuer and Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), which Lease pertains to the acquisition, construction and installation of a facility that will enrich uranium to be used to generate electricity as a service to the nuclear power plant industry, to be located in Lea County, New Mexico and not within the boundaries of any incorporated municipality within Lea County (the "Project"), and which proceeds and revenues have been pledged and assigned by the Issuer to the Purchaser under an Indenture dated the Issue Date (together with any amendments and supplements, the "Indenture") among the Issuer, the Purchaser and Bank of Albuquerque, N.A. as depository (the "Depository").

Reference is made to the Indenture, the Lease, and the Bond Purchase Agreement (as defined in the Indenture) for the provisions, among others, with respect to the custody and application of the proceeds of the sale of this Bond, the collection and disposition of income and other revenues, restrictions on transfer of this Bond, a description of the revenues pledged and assigned to the payment of the principal of, interest on and redemption price of this Bond, the nature and extent of the security for this Bond, the terms and conditions under which this Bond is issued and amounts to be advanced with respect to this Bond by the Purchaser, and the rights, duties and obligations of the Issuer, the Company, the Purchaser and the Depository. By accepting this Bond, the holder accepts and undertakes to perform all of the obligations of the Purchaser.

This Bond is a special limited obligation of the Issuer payable by the Issuer solely from funds or property available under the Lease and the Indenture that have been pledged and assigned to the Purchaser to secure payment hereof.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW MEXICO OR OF ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR REDEMPTION PRICE OF THIS BOND. THE PRINCIPAL OF, INTEREST ON AND REDEMPTION PRICE OF THIS BOND WILL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR LAWS OF THE STATE OF NEW MEXICO. THIS BOND WILL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF NEW MEXICO OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER, OR A CHARGE AGAINST THEIR GENERAL CREDIT OR TAXING POWERS.

This Bond may be called for redemption, as provided in the Indenture, at the option of the Company in whole or in part on any date selected by the Company, at a redemption price equal to the principal amount to be redeemed plus interest accrued on such principal amount to the redemption date.

If a Default (as defined in the Indenture) occurs, the Bond shall be subject to mandatory redemption if the Purchaser declares all unpaid principal of and interest on the Bond to be immediately due and payable as provided in the Indenture. Neither the Issuer nor the Depository has any responsibility to act on behalf of the Purchaser with respect to any Default. The Bond also shall be subject to mandatory redemption upon notification by the Company that the NRC License (as defined in the Lease) will not be issued in connection with the Project.

The Purchaser is authorized to endorse on Schedule A attached hereto and made a part of this Bond, the date and amount of each advance by the Purchaser pursuant to Section 404 of the Indenture and each principal payment on and redemption in part of this Bond and the resulting principal amount. Failure to make any such endorsement or any error in such endorsement will not affect the rights or obligations of the Issuer, the Company or the Purchaser.

This Bond may be transferred in whole but not in part.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond and the execution of the Indenture have happened, exist and have been performed as so required.

The validity, construction and performance of this Bond are governed by the law of New Mexico applicable to agreements made and to be performed in New Mexico.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by its Chairman of the Board of County Commissioners or Vice Chairman of the Board of County Commissioners and its seal to be affixed hereto and attested by its County Clerk or a Deputy County Clerk.

LEA COUNTY, NEW MEXICO

By: _____  
Its: Chairman of the Board of County  
Commissioners

(S E A L)

Attest:

_____  
Its: County Clerk

# **SCHEDULE A TO BOND**

DATE	AMOUNT OF ADVANCE	AMOUNT OF PRINCIPAL PAYMENT OF REDEMPTION	RESULTING PRINCIPAL AMOUNT	NOTATION MADE BY

## EXHIBIT B

### REQUISITION AND CERTIFICATE

To: Bank of Albuquerque, N.A., as Depository

The undersigned, pursuant to the Indenture dated January 22, 2004 (the "Indenture"), among Lea County, New Mexico (the "Issuer"), NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser, and Bank of Albuquerque, N.A., as Depository, requests on behalf of Louisiana Energy Services, L.P., a Delaware limited partnership (the "Company"), the disbursement of \$_____ from the Acquisition Account (as defined the Indenture) to pay the following costs and expenses related to acquisition, construction or installation of the Project Property (as defined in the Indenture) or to the issuance of the Bond (as defined in the Indenture):

<u>Amount</u>	<u>General Classification of Expenditure</u>	<u>Payee</u>
\$		

Total: \$

The undersigned certifies that:

(i) obligations in the stated amounts were incurred for Related Costs (as defined in the Indenture) and are due and payable (or, if the Company is indicated as the payee, were duly paid in advance by the Company) and that each item is a proper charge against the Acquisition Account and has not been the subject of a previous withdrawal from the Acquisition Account;

(ii) to the best knowledge of the undersigned there has not been filed with or served upon the Issuer or the Company notice of any lien, right or attachment upon, or claim affecting the right of any such payee to receive payment of, the respective amounts stated in such requisition which has not been released or will not be released simultaneously with the payment of such obligation; and

(iii) with respect to any item for payment for labor or to contractors, builders or materialmen, (i) the obligations stated have been properly incurred, (ii) to the best knowledge of the undersigned, such work was actually performed or such materials or supplies were actually furnished or installed in or about the Project (as defined in the Indenture) as part of the Project, and (iii) to the best knowledge of the undersigned, either such materials or supplies are not

subject to any lien or security interest or any such lien or security interest will be released or discharged upon payment of this requisition.

DATED: _____.

_____  
Name: _____

Title: _____

Authorized Company Representative



**EXHIBIT C**

**COMPLETION CERTIFICATE**

The undersigned Authorized Company Representative, pursuant to Section 605 of the Indenture dated January 22, 2004, among Lea County, New Mexico (the "Issuer"), Bank of Albuquerque, N.A., as Depository, and NEF Series 2004, LLC, a Delaware limited liability company, as Purchaser (the "Indenture"), states that, except for specified amounts remaining in the Acquisition Account for any Related Costs shown below incurred by the Company but not now due and payable, the Project is complete and all costs of labor, services, materials and supplies in connection with the Project Property have been paid or provisions have been made for their payment. After the transfer of remaining moneys in the Indenture, the Company will have sole responsibility for the payment of any Related Cost in excess of the amount specified to be retained in the Acquisition Account. Capitalized terms used in this certificate shall have the meanings assigned thereto in the Indenture.

**Related Costs Not Yet Due and Payable**

<u>Amount</u>	<u>For</u>
\$ _____	_____
_____	_____
\$ _____	_____
_____	_____
\$ _____	_____
_____	_____

DATED: _____



STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

at 11:46 o'clock JAN 22 2004  
and recorded in Book 1279  
Page 58  
Melinda Hughes, Lea County Clerk  
By [Signature] Deputy

Name: _____  
Title: _____  
Authorized Company Representative

50774