

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

THE STATE OF NEW MEXICO
COUNTY OF SAN JUAN

KNOW ALL MEN BY THESE PRESENTS:

That TEXAS EASTERN TRANSMISSION CORPORATION, a
corporation having a permit to do business in the
State of New Mexico, hereinafter sometimes called "Assignor",
for and in consideration of the sum of Ten (\$10.00) Dollars
and other valuable consideration, all cash to it in hand paid
by DEVONIAN GAS AND OIL COMPANY, a corporation having a permit
to do business in the State of New Mexico, hereinafter sometimes
called "Assignee", the receipt and sufficiency of which is
hereby acknowledged and confessed, and the covenants and agree-
ments of Assignee hereinafter set forth, has granted, bargained,
sold, transferred, assigned, conveyed and delivered, and by
these presents does hereby grant, bargain, sell, transfer,
assign, convey and deliver to the said Devonian Gas and Oil
Company, its successors and assigns, subject to the reservations,
exceptions, terms, provisions, covenants, conditions and limitations
hereinafter set forth, all of the right, title and interest of
Assignor in and to the following described oil and gas lease,
insofar and only insofar as said oil and gas lease covers the
following described lands lying and being situated in San Juan
County, New Mexico, down to and including a depth of one thousand
nine hundred six (1,906) feet below the surface of the soil in
and under said lands, to-wit:

Oil and Gas Lease from E. M. McGrath as lessor, to
Walter L. Morrison as lessee, dated October 10, 1955,
recorded in Book 287, at page 62, et seq., of the
records of San Juan County, New Mexico, only insofar as
said oil and gas lease covers the following described
lands down to and including a depth of 1906 feet below
the surface of the soil, to-wit:

The Northeast Quarter (NE $\frac{1}{4}$) of the Northwest
Quarter (NW $\frac{1}{4}$) of Section No. Four (Sec. 4),
Township Twenty-Nine North (Twp. 29 N.), Range
Twelve West (R. 12 W), San Juan County, New
Mexico,

together with all rights thereunder or incident thereto, including all personal property used or obtained in connection therewith, and all appurtenances and improvements thereunto belonging, reference to said oil and gas lease, and the record thereof being hereby made for all purposes.

(A) Assignor, for itself, its successors and assigns, hereby excepts from the terms of this assignment and reserves unto itself, its successors and assigns, in addition to any and all overriding royalty interests, production payment interests, or other interests in oil and gas that may be produced from the lands above described, under and by virtue of the oil and gas lease above described or any renewals or extensions thereof, the following described overriding royalty interests in and to all oil and gas that may be produced, saved and sold from the lands above described under and by virtue of said oil and gas lease and any renewals of said lease, or any extension of said lease secured or obtained within six

(6) months subsequent to the termination of such lease, to-wit:

(a) $1/8$ of $7/8$ of all such oil

(b) $1/8$ of $7/8$ of all such gas

Such oil and gas allocable to the overriding royalty interests hereby reserved and excepted by Assignor shall be delivered to the credit of Assignor, its successors and assigns, into the pipe line to which any well or wells from which such substances are produced may be connected or the proceeds of the sale of such proportionate part of such substances shall be paid to Assignor, its successors and assigns, free and clear of all costs of every kind and character except production and severance taxes levied against or allocable to such interest in such oil and gas; provided, however, that if such oil and gas lease covers less than all of the oil and gas in and under the lands covered by said lease above described, or if Assignors own less than all of the undivided interest in and to said oil and gas

lease insofar as said lease covers said lands, then the overriding royalty interest hereby reserved and excepted by Assignor with respect to which such lesser interest is owned will be proportionately reduced to the fraction of such overriding royalty interest that the interest in such oil and gas covered by such lease or covered by the interest in such lease hereby assigned by Assignor to Assignee bears to all of the interest in such oil and gas in and under said land; provided further that oil and gas used in conducting operations and drilling for or producing such substances from the lands comprising the unit hereinafter referred to and described, shall be deducted from the quantity of such substances on which such overriding royalty is computed.

(B) When the proceeds of the sale of a fractional portion of all oil and gas that may be produced from any and all wells located on the lands comprising the unit hereinafter referred to and described, equivalent to the interest therein to which Assignee may be entitled immediately subsequent to the delivery to Assignee of this assignment, amounts to a sum of money equal to the portion of all costs and expenses incurred by Assignee in drilling, completing and equipping the well known and designated as the Devonian Gas and Oil Company No. 1 Federal Well, located in the NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 4, Township 29 North, Range 12 West, in San Juan County, New Mexico, Assignee shall notify Assignor thereof in writing, or, in the absence thereof, Assignor may notify Assignee of such fact in writing, and within thirty (30) days subsequent to the giving of such notice by either of such parties as aforesaid Assignor may, at its option and election to be exercised by Assignor giving Assignee written notice thereof within fifteen (15) days subsequent to the giving of such notice as aforesaid, become entitled to and vested with all the right, title and interest in the oil and gas lease referred to and described above, hereby assigned, in lieu of and instead of the overriding royalty interests in oil and gas reserved and excepted by

lease pursuant to the terms and provisions of this assignment
(B), and in each event Assignor and Assignee will enter
into a mutually agreeable operating contract, and Assignee
Assignor the Operator of said lease and wellbore and
all wells and equipment located on the lands covered thereby,
and which shall contain the usual and customary provisions
contained in such operating agreements covering the operation
of oil and gas leases in the area of the lands covered by said
lease in said unit.

II.

Notwithstanding any other terms and provisions
contained in this instrument to the contrary, this assignment
will terminate and all rights granted, bargained, sold, trans-
ferred, assigned, conveyed and delivered by Assignor to Assignee
hereunder will terminate and revert and re-vest in Assignor, its
successors and assigns, thirty (30) days subsequent to the date
of this assignment, and Assignee will thereupon assign and
transfer to Assignor all rights and interests assigned and
transferred by Assignor to Assignee hereunder unless on or before
thirty (30) days subsequent to the date of this assignment the
portion of the oil and gas lease hereinabove described and covered
by this assignment, and all interests in royalties, overriding
royalties, payments out of production and other interests in
gas existing in or under and by virtue of said oil and gas lease
are pooled, unitized and combined with other oil and gas leases,
interests in royalties, overriding royalties, payments out of
production and other interests in such gas, including the rights
and interests in gas reserved and excepted by Assignor and the
rights and interests in gas to which Assignor may be entitled
by the terms of this instrument, so as to create one unit com-
prising the Northwest Quarter (NW $\frac{1}{4}$) of Section 4, Township 29

North, Range 12 West, San Juan County, New Mexico, for the production of such gas only from said lands down to and including that certain subsurface formation known and designated as the Pictured Cliffs Formation in and under said lands, and from which gas is then being produced in paying and commercial quantities, in which event it is expressly understood and agreed that there shall be allocated to each tract of land comprising such unit a fractional portion of all gas produced from the lands comprising such unit equal to the fraction that the number of acres included within such tract bears to the total number of acres included within such unit, and that all interests in such gas in each such tract shall be computed on the basis of the quantity of such gas so allocated to such tract, and that drilling or reworking operations on or production of gas from any tract included within such unit shall, for all purposes, be considered such drilling or reworking operations on or production of gas from each tract included within such unit, as the case may be. Insofar as Assignor has the power to do so, Assignor hereby grants to Assignee all powers and rights necessary to create such unit and to include the overriding royalties reserved by Assignor under the terms of this instrument into such unit for all the purposes aforesaid. In the event the unit aforesaid is created, Assignee will execute or cause to be executed a legally sufficient, recordable Unitization Agreement or Designation of Unit evidencing the existence of such unit and cause the same to be recorded in the office of the Register of Deeds of San Juan County, New Mexico, and will deliver Assignor an original or certified copy thereof.

III.

If either party hereto elects to terminate, release, surrender or let expire its interest in the oil and gas lease above described hereby assigned, to which such party may then be entitled, or elects not to pay a fractional part of any payments required to be paid under the terms of said lease to maintain such lease in force equal to the proportionate interest of such party in such lease, such party will notify the other party hereto of such election at least sixty (60) days prior to the date upon which (a) such party may otherwise terminate, release, surrender or let expire its interest in said lease, or (b) such payments are required to be paid, and upon request by such other

to the Assignee, to the extent of the proceeds of such request
of the parties, titles and interests in and to such lease
holdings, interests, claims, demands, release, surrender
of such lease, and to pay such payments
of this instrument shall be liable to pay
such payments if the
Assignee exercises due diligence and
for the purposes hereof,
and royalty income collected and reserved by Assignee
shall not be deemed to be deemed or considered

any claims or demands against the oil and gas
interests and interests hereby assigned will be
shared equally by the parties hereto in proportion to the
interests such parties hold in such mineral leasehold
interests, the portion of such interest in which such interests

Assignee will not permit any lien to be
placed on the oil and gas interests hereby assigned, or any oil
or gas to be produced from the lands covered thereby
in respect of the interests owned by the parties hereto in such
interests, or any lien might otherwise be placed on said property or
interests because of the failure or refusal by Assignee to
pay, and discharge any such or expenses incurred by
Assignee in operating said lease.

VI.

The liabilities of the parties hereto under the
terms of this instrument shall be several and individual and
joint or collective. Each party hereto shall be responsible

only for the particular operations described herein and Assignor shall be liable only for the operations described herein. Assignor shall be liable only for the operations described herein, including expenses, risks and liabilities incurred in carrying out and operating said oil and gas lease as herein provided. It is expressly agreed that this agreement shall not be construed as a commercial partnership, joint venture, or any other relationship between the parties hereto, express or implied, or to create any liabilities between the parties hereto.

VIII.

Assignor expressly reserves and excepts from the terms of this assignment all right, title and interest in and to the portion of the oil and gas lease above described and to the lands covered thereby to which Assignor is entitled below the depth covered by this assignment, together with the right to use in common with Assignee the surface of said land for all purposes for which lease is authorized under the terms and provisions of said lease to use said surface, and Assignor shall not unreasonably interfere with such use by Assignee, together with the right to indenture, explore, prospect, drill and mine for and produce oil and gas from all depths below said depth, all of which reservations and exceptions shall be applicable to any extensions of said lease or renewals of said lease taken or secured within six (6) months after the termination of such lease.

VIII.

As to any and all wells drilled on the lands above described covered by the portion of the oil and gas lease hereby assigned or on the unit in which such portion of such lease shall be included, as aforesaid, Assignor hereby grants to Assignee

access to any such wells and the work floors thereof at all reasonable times and, at the request of Assignor, shall furnish to Assignor samples of cores and cuttings taken on any such well; and, at the request of Assignor, Assignee shall furnish to Assignor copies of any electrical well formation surveys made on any and all of such wells.

The term "oil" as used herein and the term "gas" as used herein shall be deemed and considered to be oil produced from a well classified as an oil well, and gas, distillate, condensate, liquid hydrocarbons and liquefiable hydrocarbons produced from a well defined and classified as a gas well, as the case may be, by the statutes of the State of New Mexico and the rules and regulations of the authority having jurisdiction.

I.

All notices, reports and other communications required or permitted to be given hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved and excepted, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges prepaid, and addressed to Assignor and Assignee respectively as follows:

Assignor:

Texas Eastern Transmission Corporation
Memorial Professional Building
1010 Louisiana
P. O. Box 1189
Houston 1, Texas

Assignee:

Devonian Gas and Oil Company
2003 Commonwealth Building
Pittsburg, Pennsylvania

All notices of change in address of the parties hereto shall be likewise given in the manner set forth above.