

July 30, 1997. If that hearing does not result in approval of the sale of the E-K Queen Unit to the other purchaser, or if the Trustee cannot close the sale of the E-K Queen Unit to that purchaser, CIMARRON may purchase the same for the amount shown on the property/pricing attachment to its letter offer; and CIMARRON may close its E-K Queen Unit purchase together with those other properties it is purchasing, or as soon thereafter as reasonably practicable.

- b. The estates' working interest in the Buckshot Unit, without operating rights, still belongs to the estates. It shall be conveyed to CIMARRON by the Trustee for the sum of \$300,000.00 in cash (the "Buckshot Litigation Proceeds"), at such time as Adversary proceeding No. 96-3027 concludes in either a judgment or a settlement recognizing that the leases of the Plaintiffs in that action have not expired. If a determination that the leases have not expired is reached judicially, and the Plaintiffs in that adversary appeal from that determination, CIMARRON may, at its option, close into an escrow pending outcome of the appeal; close as if there were no appeal; or postpone the closing until the appeal is resolved. In any event, CIMARRON shall not charge the estates any joint billings for operating expenses after the operating rights to the Buckshot Unit are transferred to CIMARRON.
- c. The Trustee is not here selling the Riggs lease and any other SANTA FE EXPLORATION COMPANY property in Frio County, Texas; the Conoco lease in Lea County, New Mexico; the McFarland 4567 Queen Unit in Andrews County, Texas; or the Santa Fe

Exploration Unit No. 2 lease in Lea County, New Mexico.

- d. Regarding vehicles of the estates, CIMARRON is purchasing the vehicles that are titled in the name of either Debtor; any such vehicles in the possession of WILLIAM A. McALPINE shall be delivered to CIMARRON by McALPINE.
 - e. The estates are also retaining, subject to any Court-approved reimbursement to CIMARRON for surcharge advances cash on hand, accounts in banking or other depository institutions, accounts receivable, and any property which is not mentioned in CIMARRON's letter offer of June 17, 1997 and July 28, 1997, the Motion, or this Order and its attachments.
4. All other property of the estates is being sold to CIMARRON free and clear of liens and interests. The property being sold is all rights, titles, and interests of the Debtor(s) in that property described in CIMARRON's letter offer of June 17, 1997, attached to the Trustee's Motion to Sell; together with all tools, implements, equipment in place thereon, and improvements situated thereon; all technical and geological records necessary and/or beneficial to the operation of the properties; all petroleum and hydrocarbons and products of the same (raw, in process, or refined) in storage upon the properties; all deposits and post-petition contracts which the Trustee has put in place for utilities or other services; and whatever else is on hand for the operation of the properties listed in the offer. The properties purchased shall also include those assets, rights, and

*A 1966 spudder is no longer titled; it is being treated as field equipment under this sale.

interests described on Exhibit 1 hereto attached, to the extent the same are not elsewhere indicated in this Order and/or the Motion. The Trustee is to cooperate reasonably after the sale in seeing to it that any further documentation necessary and proper to the closing, is furnished to CIMARRON. The Trustee is to retain all choses in action (except those, if any, which could be brought against CIMARRON), whether arising under Bankruptcy law or other law. The Trustee shall cooperate reasonably with CIMARRON so that he and CIMARRON each have as necessary for their respective purposes the financial records of the Debtors; any costs of duplication shall be borne by CIMARRON. After the closing upon the properties (other than the estates' working interest in the Buckshot Unit), CIMARRON shall not be responsible for any new surcharges for the Trustee's administration of these cases.

5. The Trustee shall convey the real property interests by special warranty deed, and the personalty by bill of sale. The instruments of transfer shall be drafted by PHIL BREWER, CIMARRON's oil and gas counsel. The form of the instruments shall be subject to the Trustee's approval, which shall not be unreasonably withheld if the instruments are in a standard form that is consistent with the terms of this Order and the Motion to Sell. CIMARRON shall bear all costs of drafting and recording the instruments of transfer. The closings" shall take place in the office of Mr. BREWER, and at the closings (or as soon thereafter as practicable) CIMARRON shall pay whatever delinquent property taxes there are outstanding upon the assets purchased. CIMARRON shall also bear all responsibility for 1997 ad valorem taxes upon the

"Closings" is plural so as to include the Buckshot Unit closing, which will not occur until Adversary No. 96-3027 is disposed of as hereinabove described.

properties purchased. The Trustee shall as reasonably necessary furnish CIMARRON with whatever additional documentation is necessary and proper to complete the transfers of licenses, registrations, permits, and other applicable state, local and federal governmental requirements.

6. There is no finding being made at this time as to which lien and encumbrances the proceeds of the sale will follow, except that the \$75,000.00 which is being paid for operating rights is to be paid to BANK OF THE SOUTHWEST in Roswell, New Mexico. The valid, properly-perfected liens and incumbrances against the properties sold shall follow and attach to the proceeds of the sale in the same priority and amount as exist on this date under applicable bankruptcy law.
7. The Court notes that CIMARRON and the Trustee have made minor refinements in their purchase letter agreement since it was first signed on June 17, 1997, as reflected in a letter dated July 28, 1997, attached to this Order as Exhibit 2 for purposes of better identification. The Court has been apprised of the changes made in the letter agreement and is satisfied that the sale, with such changes, should be approved.
8. \$75,000.00 of the funds to be received from CIMARRON by the Debtors' estate at the closing of the sale shall be and are hereby determined to be for operating rights on the Buckshot Unit, and the BANK OF THE SOUTHWEST in Roswell ("Bank") shall have a first lien on such \$75,000.00 in proceeds; further, no surcharge of such \$75,000.00 proceeds will be made by the Trustee or CIMARRON, including any § 506(c) charges; further, the foregoing will not waive or limit the Bank's claims or liens on the other proceeds that may be received by the Debtors' estates from the Buckshot Unit (including the

\$300,000.00 to be paid by CIMARRON contingent upon success of the FROST litigation--herein "Buckshot Litigation Proceeds"), and the Bank shall have a valid lien on the Buckshot Litigation Proceeds or any other proceeds from the sale of the Buckshot Unit if the sale to CIMARRON does not close.

a. There will be no surcharge, including any § 506(c) charges, on the Buckshot Litigation Proceeds (or any other proceeds from the sale of the Buckshot Unit if the sale to CIMARRON does not close) that would adversely affect the payment of the Bank's lien or LA SALLE's lien on such proceeds.

b. The Trustee shall use his best efforts to pursue the FROST litigation successfully and diligently for the Debtors' estates.

c. McALPINE and LA SALLE have withdrawn their objection to the Motion.

9. The Court notes there have been several objections brought to the Trustee's Motion to Sell. McALPINE and LA SALLE PARTNERS LTD. have withdrawn their objections. All other objections are OVERRULED, except with regard to the Objection of the Texas ^{Railroad Commission,} ~~Natural Resources Conservation~~ ~~Commission ("TNRCC").~~ The properties being sold to CIMARRON do not pass to CIMARRON free and clear of any environmental and/or plugging liens that follow those properties as a matter of Texas law.

10. The Trustee's § 363 Motion to Sell Real and Personal Property to CIMARRON free and clear of liens and interests is therefore APPROVED. The final terms of the purchase and sale are as set out in the June 17, 1997 letter agreement, as modified by the letter of July 28, 1997; and as further delineated in this Order and its

attachments 1 and 2. Either the Trustee or CIMARRON shall have the right to file Motions in this Court hereafter for the purpose of clarifying or ascertaining any incidental matters they may have inadvertently overlooked in their request for approval of this § 363 sale.

SO ORDERED.

Dated:

July 29, 1997.



FRANK MONROE
UNITED STATES BANKRUPTCY JUDGE
PRESIDING

5K-KM-072897

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July 28, 1997

FACSIMILE

Robert B. Wilson
Chapter 11 Trustee
Sims, Kidd, Hubbert & Wilson
1205 Broadway
Lubbock, TX 79401

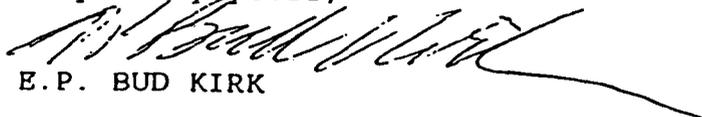
Dear Mr. Wilson:

On behalf of CIMARRON EXPLORATION COMPANY I am writing to confirm that my client is slightly modifying its purchase offer of June 17, 1997, in the following respects, in order to facilitate the compromise you have reached with WILLIAM A. McALPINE and LA SALLE PARTNERS, LTD.:

1. The purchase price shall be re-allocated as to its component parts.
2. The sum paid for the operating rights shall increase from \$50,000.00 to \$75,000.00.
3. Since you have agreed with Mr. McALPINE that he is to receive the most valuable vehicles used by the Debtors, while CIMARRON receives the least valuable, the sum paid for the vehicles CIMARRON receives shall be \$1,500.00 and not \$3,500.00.
4. The sum paid for the West Knowles Area shall be lessened by \$11,100.00, to a figure of \$90,000.00.
5. The sum paid for the O'Brien Strawn Unit shall be lessened by \$12,400.00, to a figure of \$50,400.00.
6. CIMARRON agrees that from and after the closing date upon the transfer of the operating rights, CIMARRON will not charge to the Chapter 11 estates any joint interest billings on the Buckshot Unit.

In all other respects, CIMARRON's agreement to purchase is unchanged. I am working on the form of approving order.

Very truly yours,



E.P. BUD KIRK

5L-KM-072897

- (a) The oil, gas and other mineral leasehold interests affecting those properties in the purchase agreement, including the leases under which said interests are created, and Seller's interest in any pooled, communitized, or unitized acreage derived by virtue of Seller's ownership of such interests (including any interest acquired by virtue of any compulsory pooling and/or statutory unitization order issued by governmental authority having jurisdiction) (the "Interests");
- (b) The Seller's interests in the wells, equipment and facilities located on, and used exclusively in connection with the Interests, including, but not limited to pumps, well equipment (surface and subsurface), saltwater disposal wells, lines and facilities, compressors, compressor stations, dehydration facilities, treating facilities, pipeline gathering lines, flow lines, transportation lines (including long lines and laterals), valves, meters, separators, tanks, tank batteries, and other fixtures;
- and
- (c) Oil, condensate, natural gas [^] liquids attributable to the Interests sold after the Effective Date;
- (d) All contracts and agreements covering or related to the Interests including, but not limited to, unit agreements, pooling agreements, areas of mutual interest agreements, farmout agreements, farmin agreements, saltwater disposal agreements, water injection agreements, line well injection agreements, drilling contracts, operating agreements, well service contracts, production sales contracts, gas balancing agreements, storage or warehouse agreements, supplier contracts, service contracts, insurance contracts, construction agreements, division orders and transfer orders; and
- (e) All surface use agreements, easements, rights of way, licenses, authorizations, permits and similar rights and interests or portions thereof used exclusively in connection with the Interests.