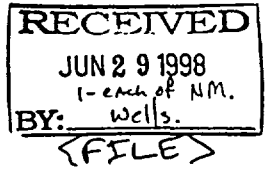


FOOTAGE DRILLING CONTRACT

THIS AGREEMENT CONTAINS PROVISIONS RELATING TO
INDEMNITY, RELEASE OF LIABILITY, AND ALLOCATION OF RISK



THIS AGREEMENT (The "Contract") is made and entered into on the date hereinafter set forth by and between the parties herein designated as "Operator" and Contractor:

OPERATOR: GRUY PETROLEUM MANAGEMENT

Address: BOX 140907 IRVING, TX 76116

CONTRACTOR: Key Energy Drilling, Inc.

Address: 812 9th Street, Suite B Levelland, TX 79336

IN CONSIDERATION of the mutual promises, conditions and agreements herein contained and the specifications and special provisions set forth in Exhibit "A" and Exhibit "B" attached hereto and made a part hereof, Operator engages Contractor as an Independent Contractor to drill the hereinafter designated well in search of oil or gas on a footage basis.

For purposes hereof, the term "footage basis" means Contractor shall furnish the equipment, labor, and perform services as herein provided to drill a well, as specified by Operator, to the contract footage depth. Subject to terms and conditions hereof, payment to Contractor at a stipulated price per foot of hole drilled is earned upon attaining such contract footage depth or other specified objective. While drilling on a footage basis Contractor shall direct, supervise and control drilling operations and assumes certain liabilities to the extent specifically provided for herein. Notwithstanding that this is a footage basis contract, Contractor and Operator recognize that certain portions of the operations as hereinafter designated, both above and below contract footage depth, will be performed on a daywork basis. For purposes hereof, the term "daywork basis" means Contractor shall furnish equipment, labor, and perform services as herein provided for a specified sum per day under the direction, supervision and control of Operator (inclusive of any employee, agent, consultant, or subcontractor engaged by Operator to direct drilling operations). When operating on a daywork basis, Contractor shall be fully paid at the applicable rates of payment and assumes only the obligations and liabilities stated herein as being applicable during daywork operations. Except for such obligations and liabilities specifically assumed by Contractor, Operator shall be solely responsible and assumes liability for all consequences of operations by both parties while on a daywork basis, including results and all other risks or liabilities incurred in or incident to such operations.

1. LOCATION OF WELL:

Well Name:
and Number: MULTI-WELL PACKAGE (SEE ATTACHED EXHIBIT "C")
Parish/ County: LEA State: NM Field Name: RHODES FED. UNIT
Well location and land description: SEE ATTACHED EXHIBIT "C"

The above is for well and Contract identification only and Contractor assumes no liability whatsoever for a proper survey or location stake on Operator's lease.

2. COMMENCEMENT DATE:

Contractor agrees to use reasonable efforts to commence operations for the drilling of the well by the 16TH day of JUNE, 1998, or AS SOON AS RIG IS AVAILABLE.

3. DEPTH:

Subject to the right of Operator to direct the stoppage of work at any time (as provided in Par. 6), the well shall be drilled to the depth as specified below:

3.1 Contract Footage Depth: The well shall be drilled to 3400 & 3800 feet or _____ formation, or to the depth at which the 5-1/2 inch casing (oil string) is set, whichever depth is first reached, on a footage basis and Contractor is to be paid for such drilling at the footage rate specified below, which depth is hereinafter referred to as the contract footage depth.

3.2 Daywork Basis Drilling: All drilling below the above specified contract footage depth shall be on a daywork basis as defined herein and Contractor shall be paid for such drilling at the applicable daywork rate specified below.

3.3 Complete Daywork Basis Drilling: If all operations hereunder are performed at applicable daywork rates, provisions of this Contract applicable to drilling on a "footage basis" shall not apply.

3.4 Maximum Depth: Contractor shall not be required to drill said well under the terms of this Contract below a maximum depth of 4000 feet.

4. FOOTAGE RATE, DAYWORK RATES, BASIS OF DETERMINING AMOUNTS PAYABLE TO CONTRACTOR:

Contractor shall be paid at the following rates for the work performed hereunder.

4.1 Footage Rate: For work performed on a footage basis the rate will be \$ 9.00 ON 3400' WELLS AND \$9.50 ON 3800' WELLS per linear foot of hole drilled determined by steel line measurement from the surface of the ground if Contractor provides cellar, or from the bottom of the cellar if Operator provides cellar, less footage made in regular size hole while working on daywork basis.

4.2 Operating Day Rate: For work performed on a daywork basis the daywork rate per twenty-four hour day with 4 man crew shall be:

Depth Intervals		Without Drill Pipe	With Drill Pipe
From	To		
0	TD	\$ 5000.00 per day	\$ 5000.00 per day
Insert Interval	Insert Interval	\$ Enter Cost Day per day	\$ Enter Cost Day per day
Insert Interval	Insert Interval	\$ Enter Cost Day per day	\$ Enter Cost Day per day

Using Operator's drill pipe \$ 5000.00 per day.

If under the above column "With Drill Pipe" no day rates are specified, the daywork rate per twenty-four hour day when drill pipe is in use shall be the applicable daywork rate specified in the column "Without Drill Pipe" plus compensation for any drill pipe actually used at the rates specified below, computed on the basis of the maximum drill pipe in use at any time during each twenty-four hour day.

DRILL PIPE RATES PER 24-HOUR DAY					
Straight Hole	Size	Grade	Directional or Uncontrollable Deviated Hole	Size	Grade
\$			\$		
\$			\$		
\$			\$		

Directional or uncontrolled deviated hole will be determined to exist when deviation exceeds 2 degrees or when the change of angle exceeds 2 degrees per one hundred feet.