

ASSIGNMENT OF OIL AND GAS LEASE

THIS ASSIGNMENT, made and entered into this 27th day of August, 1974, by and between Tommy Phipps, Edwin H. Magruder, Jr. and Martin L. Allday, Trustees for the Margene Blakemore Estate Trust, being one and the same as the Margene Blakemore Trust, whose address is Midland, Texas, hereinafter referred to as "Assignor" (whether one or more), and Exxon Corporation, whose address is P. O. Box 2305, Houston, Texas 77001, hereinafter referred to as "Assignee".

W I T N E S S E T H:

Assignor, in consideration of Ten and other Dollars, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, assign and convey to Assignee that certain Oil and Gas Lease dated May 1, 1974, from the United States, as lessor, bearing Serial No. NM 19848, insofar as the lease covers the following described lands in Eddy County, New Mexico, to-wit:

Township 23 South, Range 29 East, N.M.P.M.

Section 20: SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 28: W $\frac{1}{2}$ E $\frac{1}{2}$, W $\frac{1}{2}$
Section 29: All
Section 33: All
Section 34: All
Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$

Containing 2,560 acres, more or less,

together with all rights, privileges and personal property thereunder, appurtenant thereto, or used in connection therewith, subject, however, to the following:

The terms and conditions of that certain Assignment of United States Oil and Gas Lease dated May 23, 1974, recorded in the office of the County Clerk of Eddy County, New Mexico in Book 117, page 185 from Tim Daly et ux to Tommy Phipps as Trustee for Margene Blakemore Trust. Said terms and conditions include a reserved overriding royalty interest described below as well as a 45 day reassignment provision.

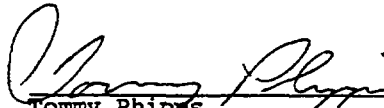
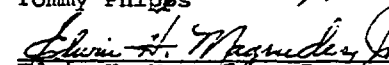
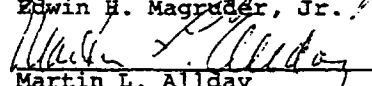
→ Assignor hereby excepts and reserves an overriding royalty of 7.5% of 8/8 of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from said lands under the terms of the lease or any extensions or renewals thereof. As to any gas sold at the wells "market value" shall be construed to mean the amount realized from such sale. The overriding royalty shall be computed and paid at the same time and in the same manner as royalties payable to the lessor under the terms of the lease are computed and paid, and Assignor shall be responsible for Assignor's proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom. The overriding royalty shall (a) be the total overriding royalty for which Assignee shall be obligated and shall include all existing overriding royalties and obligations payable out of production from the lands (said overriding royalty interest specifically includes the 1/32 of 8/8 overriding royalty interest reserved in the Assignment instrument described above), (b) be

Exhibit No. 1
Exxon Corporation
Case No. 12236
Hearing Date: Oct. 21, 1999

proportionately reduced if this assignment grants to Assignee less than the entire leasehold estate in the lands, (c) be subject to the suspension provisions of 43 CFR 3103.3-6, if applicable, and (d) be subject to any governmentally approved cooperative or unit plan of development or operation or communitization or other agreement forming a well spacing or proration unit under the rules or regulations of the New Mexico Oil Conservation Commission, to which the lease is now committed or may hereafter be committed, and in such event the overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the lands pursuant to the terms of the plan or agreement. Unless otherwise provided in this assignment, the reservation of the overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee; however, nothing herein contained shall relieve Assignee from compliance with the terms and conditions of the lease. No change in the ownership of the overriding royalty shall be binding upon Assignee until such time as Assignee shall have been furnished with either the original, a certified copy or an acceptable reproduction copy of the recorded instrument or instruments effecting the change in ownership.

Assignor covenants with Assignee that Assignor is the lawful owner of, has good title to, and has the right to convey the lease free and clear of all liens, encumbrances and obligations except those referred to above, that the lease is valid and is in good standing, that all rentals and royalties due thereunder have been paid, and that Assignor will warrant and defend the title thereto to Assignee and Assignee's heirs, personal representatives, successors and assigns against the lawful claims and demands of all persons.

Executed in multi-counterparts as of the day and year first above written.


Tommy Phipps

Edwin H. Magruder, Jr.

Martin L. Allday

TRUSTEES OF THE MARGENE BLAKEMORE
ESTATE TRUST

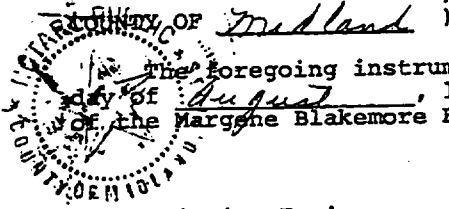
STATE OF Texas)
COUNTY OF Madland) ss.

The foregoing instrument was acknowledged before me this 24 day of August, 1974, by TOMMY PHIPPS, as Trustee of the Margene Blakemore Estate Trust.

My Commission Expires: 11-25-75


Notary Public

STATE OF Texas)
) ss.

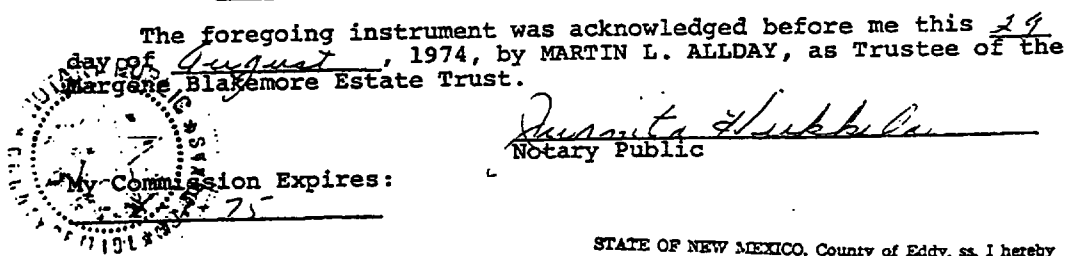


The foregoing instrument was acknowledged before me this 29
day of August, 1974, by EDWIN H. MAGRUDER, JR., as Trustee
of the Margene Blakemore Estate Trust.

J. H. Hubbs
Notary Public

My Commission Expires:
6-1-75

STATE OF Texas)
) ss.
COUNTY OF Midland)



The foregoing instrument was acknowledged before me this 29
day of August, 1974, by MARTIN L. ALLDAY, as Trustee of the
Margene Blakemore Estate Trust.

J. H. Hubbs
Notary Public

My Commission Expires:
6-1-75

STATE OF NEW MEXICO, County of Eddy, ss. I hereby
certify that this instrument was filed for record on the
16th day of Jan, 1974, at 9:30 o'clock A. M.
and duly recorded in Book 130 Page 284 of the
Records of Midland

GERALDINE MAHAFFEY, County Clerk
By Conrad D. Lawrence Deputy