

57307

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12393 Exhibit No. 2
Submitted By:
Santa Fe Snyder Corporation
Hearing Date: May 18, 2000

TERM ASSIGNMENT

STATE OF NEW MEXICO)
)
COUNTY OF LEA)

On this the 1st day of December, 1999, Concho Resources Inc., 110 W. Louisiana, Suite 410, Midland, Texas 79701 (hereinafter referred to as "Assignor"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, without warranty of title, express or implied, subject to the reservations, conditions and covenants provided for herein, and only for the term herein provided, does hereby grant, bargain, sell, transfer, assign and convey unto Santa Fe Snyder Corporation, 550 W. Texas, Suite 1330, Midland, Texas 79701 (hereinafter referred to as "Assignee"), an undivided fifty percent (50%) of the operating rights in and to the leases described in Exhibit "A" attached hereto and made a part hereof ("said Leases"), together with all rights and privileges thereunder or appurtenant thereto, insofar as said Leases cover oil, gas and other liquid and gaseous hydrocarbons and associated minerals.

The leasehold interests herein assigned are hereinafter referred to as "said Assigned Interest". This agreement shall be for a term of two (2) years from the Effective Date ("Primary Term") and, as long thereafter as oil and/or gas is produced in paying quantities.

I.

Assignor reserves from this Term Assignment an overriding royalty interest equal to the difference between lease burdens and 25% of 8/8ths in and to the oil, gas and other liquid and gaseous hydrocarbons and associated minerals produced and saved from said leases. Such overriding royalty interest shall be free and clear of all working interest costs of exploring, drilling, equipping and operating, but shall bear its proportionate part of gross production taxes and shall be paid in the same manner as the royalty is to be paid pursuant to the terms of said leases. The overriding royalty herein reserved shall be proportionately reduced as to each lease assigned hereunder if such lease covers less than the full mineral interest and/or the assignment made hereunder does not convey full leasehold rights in such lease. If any lease is pooled or communitized under the lease authority or authority of any government agency, the overriding royalty herein reserved shall be pooled and communitized and paid on a pooled or communitized basis in the same manner as the base royalty of such lease is pooled or communitized. The term "Lease Burdens" as used in this agreement with respect to said Assigned Interest for said Leases shall mean the royalty and any other interest in production reserved to the owners of the minerals covered by said Leases, plus all overriding royalties, production payments, carried working interests, net profit interest, and all other burdens and encumbrances to which said Assigned Interest is subject on the Effective Date of the assignment.

II.

Assignee accepts said Assigned Interest subject to all of the express and implied covenants and obligations of said Leases, insofar as same relate to said Assigned Interest. Assignee indemnifies and agrees to respond

to, defend and save Assignor harmless from and against any and all claims for damages and forfeiture made by any person, partnership, corporation or other legal entity that is based on any failure, or alleged failure of Assignee, to indemnify, defend and save Assignor, together with Assignor's co-lessees and co-venturers, and its and their parents, subsidiaries, affiliates, agents, directors, officers, employees and servants, harmless from and against all claims, demands, damages, lawsuits, liability, judgments, expenses, attorney's fees and court costs of every kind and character arising out of or resulting from the operations of Assignee, its contractors and subcontractors, upon said Lease and lands covered hereby, including injury to or death of persons, damage to or destruction of property, and environmental damage and cleanup expenses, and including claims based on acts or omissions of Assignee's contractors, subcontractors, heirs, successors and assigns.

III.

If Assignor currently makes rental payments on said Lease, Assignor shall pay any delay rentals necessary to maintain in force and effect said Lease insofar as it covers the lands described on Exhibit "A" and Assignee shall promptly reimburse Assignor for its proportionate share of the amount paid upon receipt of invoice; PROVIDED, HOWEVER, Assignor shall not be liable to Assignee for its failure to timely and properly make such payments for any reason, including negligence. If any rental payment is applicable both to lands assigned hereby and to other lands, such payment shall be prorated on a surface acre basis.

Assignee shall not at any time release said Leases to the owners of the minerals thereunder. Should Assignee elect to discontinue Assignee's interest in said Leases, Assignee shall execute and deliver to Assignor a reassignment on a form satisfactory to Assignee, of all of Assignee's interests in the assigned lands. The reassignment tendered to Assignor shall warrant the reassigned interest to be free and clear of any mortgage, lien, encumbrances, claims, contractual obligations, overriding royalty burden or production payment created by, through or under Assignee or by its authority.

IV.

Assignee shall not assign, sell, transfer, mortgage, hypothecate or otherwise alienate the Properties without the express prior written consent of Assignor, which consent will not be unreasonably withheld, and any attempt to do so without Assignor's prior written consent shall be null and void.

V.

If at the expiration of the Primary Term of this Assignment, oil and/or gas is not being produced from the said Assigned Interest or lands pooled therewith, but Assignee is then engaged in drilling or reworking operations thereon, this Assignment shall remain in force so long as drilling or reworking are prosecuted (whether on the same well or different wells) with no cessation of more than sixty (60) consecutive days, and, if they result in production in paying quantities, for so long thereafter as oil and/or gas are produced or capable of being produced in paying quantities from said Assigned Interest or lands pooled therewith. If oil and/or gas on said Assigned Interest or lands pooled therewith should cease producing in paying quantities from any cause, this Assignment nevertheless shall continue in force and effect as long as additional drilling operations or reworking operations are conducted on the said Assigned Interest or on lands validly

pooled therewith, which additional operations shall be deemed to be had when not more than sixty (60) consecutive days elapse between the abandonment of operations on one well and the actual commencement of drilling on another well, and, if production in paying quantities is obtained, this Assignment shall continue as long thereafter as oil and/or gas is produced or capable of being produced in paying quantities from the said Assigned Interest or lands pooled therewith, and as long thereafter as additional operations, either drilling or reworking, are had thereon.

- (a) If Assignee, at the expiration of the Primary Term is engaged in actual drilling or reworking operations, this Assignment shall remain in full force and effect as to all lands covered hereby for so long as such operations continue to completion or abandonment and for so long thereafter as continuous development is conducted, being defined as no more than one hundred eighty (180) days elapsing between the completion or abandonment of one well and the commencement of actual drilling or reworking operations on another well; or
- (b) if at the expiration of the Primary Term, Assignee is not conducting actual drilling operations, but Assignee has completed a well on the said Assigned Interest prior to the expiration which is capable of producing oil and/or gas in paying quantities, this Assignment shall remain in full force and effect for so long as actual drilling or reworking operations on an additional well are commenced within one hundred eighty (180) days following the expiration of the Primary Term, and this Assignment shall continue in force for so long thereafter as continuous development is conducted, being defined as no more than one hundred eighty (180) days elapsing between the completion or abandonment of one well and the commencement of actual drilling or reworking operations on the next succeeding well.
- (c) At such time as Assignee (1) fails to commence said continuous development, or (2) once commenced, fails to continue same, this Assignment shall automatically terminate as to (a) all land not included within the aerial boundaries of the proration or spacing unit assigned to a well then producing oil or gas in paying quantities and (b) all subsurface depths, in said proration or spacing unit(s) to 100 feet below the base of the deepest producing formation in said producing well(s) thereon. The term "proration or spacing unit" as used herein shall be the number of acres which are allocated to a well under regulation of the Oil Conservation Division, Energy, Minerals and Natural Resources Department, of the State of New Mexico or other governmental body having jurisdiction over producing tracts for production of oil or gas under State Wide Rules or Special Field Rules as applicable to the area involved herein so as to enable the well to produce a full allowable.
- (d) The term "completion" as used herein shall mean the date of rig release.

VI.

This assignment and all rights, reservations and covenants in connection herewith shall be considered covenants running with the lands and shall inure to and be binding upon the parties hereto, their heirs, personal representatives, successors and assigns; PROVIDED, HOWEVER, no transfer or encumbrance of any of said Assigned Interest shall be made unless the same be made expressly subject to this assignment and unless the vendee, Assignee or transferee shall assume all of the obligations of this assignment.

VII.

The address for giving all notices required hereunder, until changed by written notice to the same addresses, shall be as set forth in the first paragraph of this instrument.

VIII.

Assignee shall comply and shall require that all of Assignee's contractors and subcontractors comply with any and all applicable laws and regulations, federal, state and local, and with the requirements of each regulatory body or official asserting jurisdiction over Assignee's Operations under this assignment.

Assignee shall, at Assignee's sole cost and expense, maintain the lands in a clean and orderly condition, remove all waste products, fill in all pits dug in connection with Operations hereunder and restore the lands as nearly as possible to their original condition.

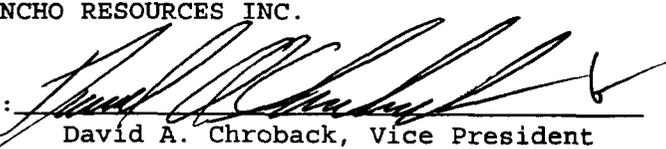
This assignment is made and accepted without any representations and warranties, express, implied or statutory.

THIS ASSIGNMENT, INCLUDING ALL ITS EXHIBITS, SHALL BE INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE SAID LEASE IS LOCATED WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. This assignment may not be amended except by an instrument in writing signed by the party charged with such amendment. This assignment may be executed by the parties in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the day and year first stated above.

ASSIGNOR:

CONCHO RESOURCES INC.

By: 

David A. Chroback, Vice President

ASSIGNEE:

SANTA FE SNYDER CORPORATION

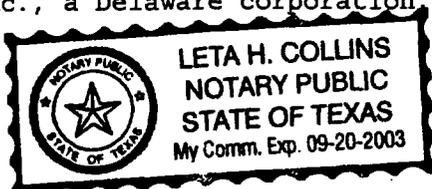
APPROVED

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By: *R.B. Rice*
 Its: R.B. Rice, Attorney-in-Fact

STATE OF TEXAS)
)
 COUNTY OF MIDLAND)

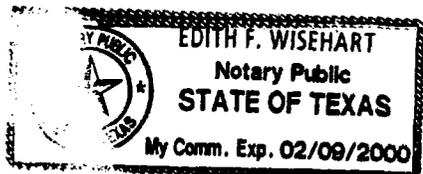
The foregoing instrument was acknowledged before me this 8th day of December, 1999, by David A. Chrobak, Vice President of Concho Resources Inc., a Delaware corporation, on behalf of said corporation.



Leta H. Collins
 Notary Public
 My Commission Expires:

STATE OF TEXAS)
)
 COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 6th day of January, ~~1999~~ ²⁰⁰⁰, by R.B. Rice, Attorney-in-Fact of Santa Fe Snyder Corporation, a Delaware corporation, on behalf of said corporation.



Edith F. Wisehart
 Notary Public
 My Commission Expires:

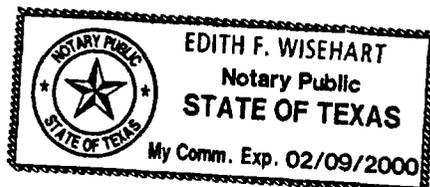


EXHIBIT "A"

Attached to and made a part of that certain
Term Assignment dated December 1, 1999,
between Concho Resources Inc., as Assignor,
and Santa Fe Snyder Corporation, as Assignee

Oil and Gas Lease Serial No: NM 97157
Date: 09/01/96
Lessor: United States of America
Original Lessee: Penwell Energy, Inc.
Description: T-23-S, R-34-E, N.M.P.M.
Section 17: N/2
Lea County, New Mexico
Recorded: Book 743, Page 567,
Lea County, New Mexico

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 14 2000

at 10.39 o'clock A M
and recorded in Book 1012
Page 136
Pat Chappelle, Lea County Clerk
By Kath Mames Deputy

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