

STIPULATION, RATIFICATION AND RELEASE

This Stipulation, Ratification and Release is entered into on February 1, 2003 between Madeline Stokes, Erma Stokes Hamilton, Tom Stokes and John David Stokes (collectively "Stokes/Hamilton") and TMBR/Sharp Drilling, Inc. ("TMBR/Sharp"), for itself and the "Other Leasehold Owners" (defined below).

Stokes/Hamilton are the owners of 100% of the oil, gas and other minerals in and under the following described lands located in Lea County, New Mexico, to-wit:

Township 16 South, Range 35 East, N.M.P.M.

Section 13: SE/4
Section 23: SE/4
Section 24: NW/4SW/4, NW/4NE/4
Section 25: NW/4
Section 26: NE/4

containing 720 acres, more or less (the "Stokes/Hamilton Land").

The Stokes/Hamilton Lands were leased to Ameristate Oil & Gas, Inc. ("Ameristate") on December 7, 1997 by instruments recorded in Book 827, Pages 124 and 127 of the Clerk's Records of Lea County, New Mexico (the "Original Stokes/Hamilton Leases"), providing for three year primary terms. The primary terms of the Original Stokes/Hamilton Leases were extended for an additional six months by instruments executed in favor of Ameristate on August 10 and August 14, 2000, recorded in Book 1096, Pages 247 and 249 of the Clerk's Records of Lea County, New Mexico (the "Original Stokes/Hamilton Extensions"). The leasehold estate arising from the Original Stokes/Hamilton Leases is now owned by Ameristate, TMBR/Sharp, Fuel Products, Inc., Louis Mazzullo, Inc., F. Howard Walsh, Jr., P. V. Patel, John F. Herbig, Jr., Rudd Family Trust, Jade Resources, Inc., Chi Energy, Inc., and Thomas C. Brown (the "Other Leasehold Owners"). All of the Other Leasehold Owners have authorized TMBR/Sharp to execute this Stipulation and Ratification on their behalf.

The Original Stokes/Hamilton Leases were committed to two units for the development of portions of the Stokes/Hamilton Lands, evidenced by Designations of Pooled Unit (a) covering the W/2 Section 24, Township 16 South, Range 35 East, N.M.P.M. dated July 16, 2001, recorded in Book 1090, Page 722 of the Clerk's Records of Lea County, New Mexico, and (b) covering

the N/2 Section 25, Township 16 South, Range 35 East, N.M.P.M. dated June 26, 2002, recorded in Book 1157, Page 502 of the Clerk's Records of Lea County, New Mexico (collectively the "Pooling Designations").

The Stokes/Hamilton Lands were also leased to James D. Huff ("Huff") on March 27, 2001 by instruments recorded in Book 1084, Pages 282 and 285 of the Clerk's Records of Lea County, New Mexico (the "Stokes/Hamilton Top Leases"), providing for primary terms of three years from the expiration of the Original Stokes/Hamilton Leases. The present validity of the Original Stokes/Hamilton Leases and the Stokes/Hamilton Top Leases has been the subject of litigation in Lea County, New Mexico District Court Cause No. CV-2001-315 in which Stokes/Hamilton and TMBR/Sharp, among others, were parties (the "Litigation"). The Litigation has been fully settled and TMBR/Sharp is now the owner and holder of the leasehold estate arising under the Stokes/Hamilton Top Leases.

Stokes/Hamilton and TMBR/Sharp, in consideration of the mutual benefits to be derived by them, stipulate and agree as follows:

1. Stokes/Hamilton, as to the NW/4SW/4 and NW/4NE/4 Section 24 and NW/4 Section 25, Township 16 South, Range 35 East, N.M.P.M., hereby ratify and confirm the validity of the Original Stokes/Hamilton Leases and do hereby lease and let said lands to TMBR/Sharp and the Other Leasehold Owners in order to effect this ratification.

2. Stokes/Hamilton ratify and confirm the Pooling Designations.

3. TMBR/Sharp releases the Stokes/Hamilton Top Leases as to the NW/4SW/4 and NW/4NE/4 Section 24 and NW/4 Section 25, Township 16 South, Range 35 East, N.M.P.M.

4. Stokes/Hamilton, as to the SE/4 Section 13, SE/4 Section 23, and NE/4 Section 26, Township 16 South, Range 35 East, N.M.P.M., hereby ratify and confirm the validity of the Stokes/Hamilton Top Leases and do hereby lease and let said lands to TMBR/Sharp in order to effect this ratification. The expiration of the original Stokes/Hamilton Leases and effective date of the Stokes/Hamilton Top Leases, as to the lands identified immediately above, shall conclusively be deemed to be December 18, 2002.

EXECUTED the day and year first above written.

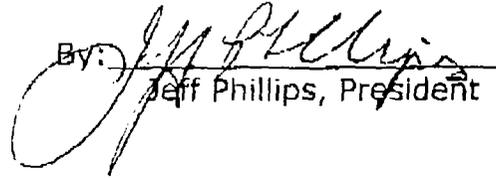
Madeline Stokes
MADELINE STOKES

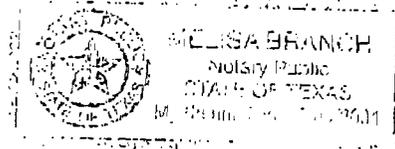
Erma Stokes Hamilton
ERMA STOKES HAMILTON

Tom Stokes
TOM STOKES

John David Stokes
JOHN DAVID STOKES

TMBR/SHARP DRILLING, INC.

By: 
Jeff Phillips, President

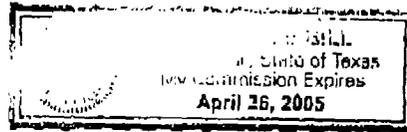


STATE OF TEXAS)
)ss.
COUNTY OF Crockett)

This instrument was acknowledged before me on 2/25/03, by Madeline Stokes.

Melissa Branch
Notary Public

My Commission Expires: 12/4/2004

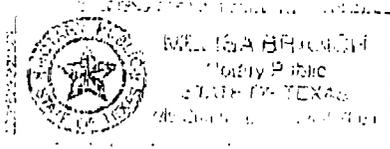


STATE OF TEXAS)
)ss.
COUNTY OF Harrison)

This instrument was acknowledged before me on 2/27/03, by Erma Stokes Hamilton.

Erma Stokes Hamilton
Notary Public

My Commission Expires: 4/26/05

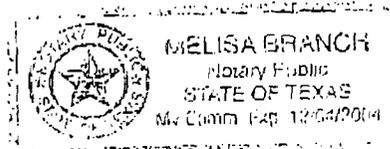


STATE OF TEXAS)
)ss.
COUNTY OF Crockett)

This instrument was acknowledged before me on 2/25/03, by Tom Stokes.

Melissa Branch
Notary Public

My Commission Expires: 12/4/2004



STATE OF TEXAS)
)ss.
COUNTY OF Crockett)

This instrument was acknowledged before me on 2/25/03, by John David Stokes.

Melissa Branch
Notary Public

My Commission Expires: 12/4/2004

STATE OF TEXAS)
)ss.
COUNTY OF MIDLAND)

This instrument was acknowledged before me on March 13, 2002, by Jeff Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation.

Dennis J. Hopkins
Notary Public

My Commission Expires:

