

**MARKS AND GARNER PRODUCTION, LTD. CO.**

**OIL & GAS PRODUCTION**

Phone (505) 396-5326  
Fax (505) 396-3204  
P.O. Box 70 - 1421 S. Love St.  
Lovington, New Mexico 88260

6-5-2002

RE: State T #2 S.W.D.

Proposal:

Gandy Corporation pays-

\$12,500.00 to Pronghorn Management Corporation  
\$12,500.00 to Marks and Garner Production, Ltd. Co.

Results in the following WI ownership-

Gandy Corporation-----50%  
Pronghorn Management Corp-- 25%  
Marks and Garner----- 25%

Workover set forth in enclosed AFE begins ASAP.

On completion thru # 8 on AFE:

Gandy Corporation assumes 100% WI in exchange for  
80% NRI in revenues from oil sold at the facility  
and fees charged for disposal.  
Pronghorn receives 10% NRI  
Marks and Garner 10% NRI

(OR)

Gandy corporation owns 100%WI and 100% NRI in  
exchange for \$\_\_\_\_\_ paid each to  
Pronghorn Management and Marks and Garner Prod.

AGREED TO BY: \_\_\_\_\_ DATE 6-6-2002

Gandy Corporation *[Signature]*

Pronghorn Management Corporation *[Signature]*

Marks and Garner Production, Ltd. Co. *[Signature]*

District I  
 1625 N. French Dr., Hobbs, NM 88240  
District II  
 811 South First, Artesia, NM 88210  
District III  
 1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87504

State of New Mexico  
 Energy Minerals and Natural Resources

Form C-104A  
 August 11, 2000

Oil Conservation Division  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87504

Submit 1 copy of the final affected wells  
 list along with 2 copies of this form per  
 number of wells on that list to  
 appropriate District Office

**Change of Operator**

Previous Operator Information:

OGRID: 147179  
 Name: Chesapeake Operating, Inc.  
 Address: P. O. Box 18496  
 Address: \_\_\_\_\_  
 City, State, Zip: Oklahoma City, OK 73154-0496

New Operator Information:

Effective Date: 02/01/02  
 New Ogrid: \_\_\_\_\_  
 New Name: DKD, L.L.C.  
 Address: P. O. Box 682  
 Address: \_\_\_\_\_  
 City, State, Zip: Tatum, NM 88267

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the attached list of wells is true and complete to the best of my knowledge and belief.

New Operator

Signature: *Danny R. Watson*

Printed name: DANNY R. WATSON

Title: PRES.

Date: 4/1/02 Phone: (505) 398-3490

Previous operator complete below:

Previous Operator: Chesapeake Operating, Inc.

Previous OGRID: 147179

Signature: *Douglas J. Jacobson*

Printed Name: Douglas J. Jacobson

Sr. Vice Pres. - Acq. & Divest.

<u>NMOCD Approval</u>	
Signature:	_____
Printed Name:	_____
District:	_____
Date:	_____

BEFORE THE OIL CONSERVATION  
 COMMISSION  
 Santa Fe, New Mexico  
 Case No. 12905 (De Novo) Exhibit No. 1  
 Submitted by: DKD LLC  
 Hearing Date: March 20, 2003

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF NEW MEXICO        )  
  ) SS:  
COUNTY OF LEA                )

\* L 4 3 6 4 5

This Assignment, Bill of Sale and Conveyance ("Assignment") dated effective as of December 1, 2001, at 7:00 a.m. Central Standard Time (the "Effective Time") is made by CHESAPEAKE OPERATING, INC., CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, CHESAPEAKE INVESTMENTS AND TLW INVESTMENTS, INC., NORTHPORT PRODUCTION COMPANY, VESTIGE, INC., AND ANSON ENERGY CORPORATION, (herein referred to as "Assignors") to DKD, L.L.C., (herein referred to as "Assignee") located at P.O. Box 682, Tatum, New Mexico 88267.

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignors do hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee, insofar as they have a right to do so, and subject to the terms and reservations hereof, all of Assignors' interest in the following described properties and rights, INSOFAR AND ONLY INSOFAR as said interests cover the Well and Leases described or named on the attached Exhibit "A" (herein collectively referred to as the "Interests"):

- (1) All of Assignors' undivided right, title and interest (including all working interests, net revenue interests, farmout or farmin rights, royalty, overriding royalty or other non-working or carried interests, operating rights and other mineral rights of every nature) in and to the Oil, Gas and Mineral (or Oil and Gas) Leases described in Exhibit "A" attached hereto and made a part hereof, as extended or amended (hereinafter referred to as the "Leases"), insofar as such Leases cover the lands described in such Exhibit.
- (2) All of Assignors' undivided right, title and interest in and to all presently existing unitization and pooling agreements and statutorily, judicially or administratively created drilling, spacing and/or production units, whether recorded or unrecorded, which relate to the Leases, and all of Assignors' interest in and to the properties covered or units created thereby which are attributable to the Interests;
- (3) All of Assignors' undivided right, title and interest in and to all presently existing and valid oil, casinghead gas and gas sales, operating, farmout, pooling, purchase, exchange and processing contracts and agreements, partnership and joint venture agreements and any other contracts, agreements and instruments which pertain to the Interests or any properties pooled or unitized therewith;
- (4) All of Assignors' undivided interests in and to all oil and gas and associated hydrocarbons stored upon or produced from the Interests or any property pooled or unitized therewith from and after the Effective, which are attributable to the Interests;
- (5) All of Assignors' undivided right, title and interest in and to all easements, permits, licenses, servitudes, rights of way, pipelines, power lines, telephone and telegraph lines, communications' facilities and all other rights and appurtenances situated on or used in connection with the Interests or any properties pooled or unitized therewith; and
- (6) All of Assignors' undivided right, title and interest in and to the Interests, all tangible personal property, equipment, fixtures, improvements, easements, permits, licenses, servitudes and other appurtenances including, but not by way of limitation, all injections wells, salt water disposal facilities, well heads, casing, tubing, pumps, motors, gauges, valves, heaters, treaters, gathering lines, flow

lines, gas lines, gas processing and compression facilities (specifically including the existing processing and compression facility), water lines, vessels, tanks, boilers, separators, fixtures, platforms, machinery, tools, treating equipment, compressors and other equipment, pipelines, powerlines, telephone and telegraph lines, transportation and communication facilities, and other appurtenances situated upon the lands covered by the Leases conveyed herein or any land or lands pooled or unitized therewith or used or obtained in connection with the production, treating, storing or transportation of oil, gas and other hydrocarbons or minerals therefrom:

**\* L 4 3 6 4 5**

- 7) All rights, obligations, liabilities and responsibilities as to gas imbalances, if any, attributable to the Properties as of the Effective Time;

Assignee accepts the Interests subject to the obligations remaining under said Lease to properly plug and abandon all wells, restore the surface, and all other obligations of the Lease.

TO HAVE AND TO HOLD all and singular the Interests together with all rights: titles, interests, estates, remedies, powers and privileges thereunto appertaining unto Assignee and Assignee's successors and assigns forever; subject, to the following matters:

- (a) all Lessors' royalties, overriding royalties and other burdens, reversionary interests and similar burdens as shown of record;
- (b) all easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;
- (c) the terms and conditions of the Leases and other agreements affecting the Interests;
- (d) all rights reserved to or vested in any municipality or governmental, tribal, statutory or public authority to control or regulate any of the Interests in any manner, and all applicable laws, rules and orders of governmental and tribal authority; and
- (e) all gas contracts, crude oil purchase contracts, operating agreements, division orders and transfer orders affecting the Interests.

Assignors also hereby grant and transfer to Assignee, its successors and assigns, to the extent so transferable, the benefit of and the right to enforce the covenants and warranties, if any, which Assignors are entitled to enforce with respect to the Interests against Assignors' predecessors in title to the interests.

It is expressly understood and agreed that (i) Assignors shall be responsible for, and shall indemnify and hold Assignee harmless from, all claims, costs, expenses and liabilities which arise or accrue prior to the Effective Time with respect to the Interests; (ii) Assignee shall be responsible for, and shall indemnify and hold Assignors harmless from, all claims, costs, expenses and liabilities which arise or accrue after the Effective Time with respect to the portion of the Interests assigned hereunder; (iii) Assignors shall be entitled to receive all revenues attributable to oil, gas or hydrocarbons produced from the Interests prior to the Effective Time; and (iv) Assignee shall be entitled to receive all revenues attributable to oil, gas or other hydrocarbons produced from the portion of the Interests assigned hereunder to Assignee after the Effective Time.

**THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE IS MADE (i) WITHOUT ANY WARRANTY OR REPRESENTATION OF TITLE, EITHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, (ii) WITHOUT ANY EXPRESS, IMPLIED, STATUTORY OR OTHER WARRANTY OR REPRESENTATION AS TO THE CONDITION, QUANTITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OR MERCHANTABILITY OF ANY OF THE PROPERTIES OR THEIR FITNESS FOR ANY**

PURPOSE; AND (iii) WITHOUT ANY OTHER EXPRESS, IMPLIED, STATUTORY OR OTHER WARRANTY OR REPRESENTATION WHATSOEVER.

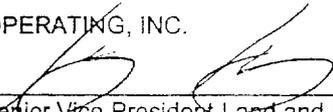
This Assignment shall bind and inure to the benefit of Assignors and Assignees and their respective affiliates, subsidiaries, successors and assigns.

EXECUTED this 1st day of May 2002, but effective for all purposes as of the Effective Time.

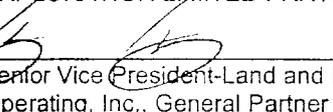
ASSIGNORS:

L 436 45

CHESAPEAKE OPERATING, INC.

  
Henry J. Hood, Senior Vice President-Land and Legal

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

  
Henry J. Hood, Senior Vice President-Land and Legal of Chesapeake Operating, Inc., General Partner

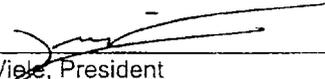
CHESAPEAKE INVESTMENTS

  
Aubrey K. McClendon, Sole General Partner

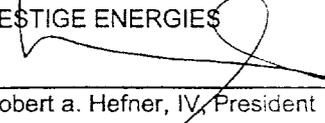
TLW INVESTMENTS INC.

  
Tom. L. Ward, President

NORTHPORT PRODUCTION COMPANY

  
Tony Vele, President

VESTIGE ENERGIES

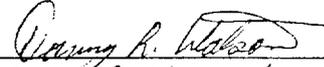
  
Robert a. Hefner, IV, President

ANSON ENERGY CORPORATION

  
Carl B. Anderson, President

ASSIGNEE:

DKD, L.L.C.

  
By: DANNY R. WATSON  
Title: PRESIDENT

ACKNOWLEDGMENTS

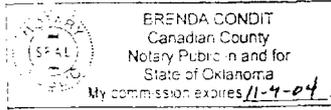
STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

\* L43645

This instrument was acknowledged before me on this 1<sup>st</sup> day of May 2002 by Henry J. Hood, as Senior Vice President-Land and Legal of Chesapeake Operating, Inc., and Oklahoma corporation.

My Commission Expires: 11/9/04

Brenda Condit

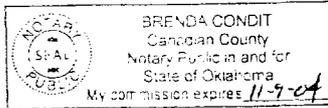


STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 1<sup>st</sup> day of May 2002 by Henry J. Hood, as Senior Vice President-Land and Legal of Chesapeake Operating, Inc., as General Partner of Chesapeake Exploration Limited Partnership.

My Commission Expires: 11/9/04

Brenda Condit

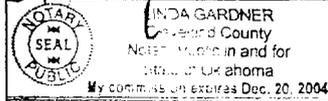


STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 2<sup>nd</sup> day of May 2002 by Aubrey K. McClendon, Sole General Partner of Chesapeake Investments.

My Commission Expires:

Linda Gardner



STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 1<sup>st</sup> day of May 2002 by Tom L. Ward, President of TLW Investments Inc., an Oklahoma corporation.

My Commission Expires: 2/12/04

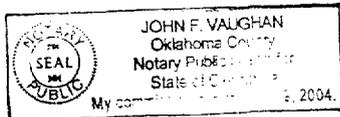
William J. Richardson

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 22<sup>nd</sup> day of April 2002 by Tony Viele, President of Northport Production Company.

My Commission Expires:

John F. Valghan

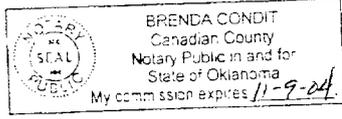


STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

L43645

This instrument was acknowledged before me on this 1<sup>st</sup> day of May 2002 by Robert A. Hefner, IV, President of Vestige Energies.

My Commission Expires: 11/9/04 Brenda Condit



STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 22 day of April 2002 by Carl B. Anderson, President of Anson Energy Corporation.

My Commission Expires: 1-26-2005 Rebecca A. Zink

STATE OF New Mexico )  
COUNTY OF Lea )

This instrument was acknowledged before me on this 3<sup>rd</sup> day of April 2002 by Danny R. Watson of DRD, LLC

My Commission Expires: Nov. 19, 2005 Lynne Stevens

EXHIBIT "A"

L 436 45

ATTACHED HERETO AND MADE PART OF THAT CERTAIN ASSIGNMENT, BILL OF SALE AND CONVEYANCE BETWEEN CHESAPEAKE OPERATING, INC., CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, CHESAPEAKE INVESTMENTS, TLW INVESTMENTS INC., NORTHPORT PRODUCTION COMPANY, VESTIGE, INC., AND ANSON ENERGY CORPORATION, AS ASSIGNOR, AND DKD, L.L.C. AS ASSIGNEE, EFFECTIVE FEBRUARY 1, 2002.

LEASE NO: NM7000094-000  
LESSOR: State of New Mexico - Lease No. V04886 0000  
LESSEE: Chesapeake Operating, Inc.  
DATE: June 1, 1996  
RECORDED: 800/156  
DESCRIPTION: Lots 13 and 14 of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico, as further described in said lease.

INSOFAR AND ONLY INSOFAR AS SAID LEASES COVER LANDS CONTAINED WITHIN THE SURFACE BOUNDARIES OF THE 76.65 ACRE WATSON 1-6 UNIT, AS MORE FULLY DESCRIBED AS LOTS 13 AN 14 OF SECTION 6, TOWNSHIP 16 SOUTH, RANGE 36 EAST, LEA COUNTY, NEW MEXICO.

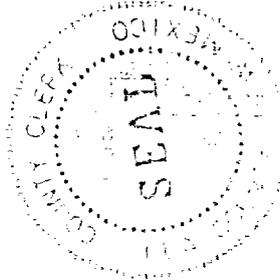
Record & Return To:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

MAY 14 2002

at 1:55 o'clock P M  
and recorded in Book \_\_\_\_\_  
Page \_\_\_\_\_  
Melinda Hughes, Lea County Clerk  
By \_\_\_\_\_ Deputy

21854



ATTEST:  
Certified this 6<sup>th</sup> day of September  
2002, as true and correct copy of  
the original on file in this office.

MELINDA HUGHES, LEA COUNTY CLERK

*Melinda Hughes*  
Deputy