

JAMES B. FULLERTON

PETROLEUM LANDMAN

NATURAL GAS CONSULTANT

1645 COURT PLACE
SUITE #406
DENVER, COLORADO 80202

PHONE: 303-534-4502

September 29, 1992

Frederick L. Lilly Jr.
2895 Brighton Road
Shaker Heights, Ohio 44120

FEDERAL EXPRESS

Re: Assignment of Oil & Gas Leases
SG Interests I, Ltd.
Township 29 North, Range 10 West
Section 21: SE/4NW/4, NE/4SW/4
Section 24: NE/4NE/4
San Juan County, New Mexico

Dear Mr. Lilly:

Pursuant to my previous correspondence with you and my discussions with Ray Haley, enclosed please find 2 copies of an Assignment of Oil & Gas Leases to cover your 6 net leasehold acres under the lands referenced above. I have also attached a Bank Draft in the amount of \$600.00 to cover the purchase consideration of \$100.00/acre.

As you recall, I corresponded with you by letter dated June 25, 1992 advising you of the drilling plans of SG Interests I, Ltd. in the above referenced Sections in which you own a small leasehold interest. You later advised me by telephone that you would rely on Mr. Ray Haley to determine your desire to Farmout or Sell your interest.

Please be advised that on August 25, 1992, Mr. Haley executed an Assignment of Oil and Gas Leases, identical to the attached document, effectively selling his leasehold interest to SG Interests I, Ltd. for the same purchase consideration of \$100.00/acre. SG is now preparing to drill the proposed wells within the next 10 to 15 days and thus need your consent to either a Farmout or Sale immediately. Please review the attached Assignment and advise me if you wish to also sell your interest. If so, please execute and return to me one copy of the attached Assignment. You may deposit the Bank Draft directly to your Bank Account. If you do not wish to sell your interest and would prefer to Farmout or participate for your Working Interest, please so advise me as soon as possible so that the documents can be prepared.

Application of SG Interests I, Ltd. for
Compulsory Pooling

Case No. 10609 & 10610

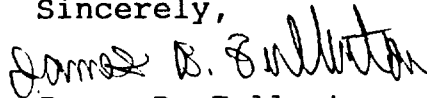
Examiner Hearing Docket Dated 11/19/92

Exhibit No. 7

Again, SG is preparing to begin operations immediately. Thus, your early attention to this matter would be greatly appreciated. If you should have any questions please feel free to call me at 303-534-4502.

Thank you very much.

Sincerely,

A handwritten signature in dark ink, appearing to read "James B. Fullerton". The signature is fluid and cursive, with the first name "James" and last name "Fullerton" clearly distinguishable.

James B. Fullerton
Consulting Landman on behalf of
SG Interests I, Ltd.

You may return the executed documents to me at the following address:

James B. Fullerton
1645 Court Place, #406
Denver, Colo. 80202

COLLECT DIRECTLY THROUGH Cherry Creek National Bank
444 - 17th Street, Denver, CO 80202

DATE September 29th, 1992

Fifteen (15) Days After Sight and Subject to Approval of Title

Pay to the Order of Frederick L. Lilly, Jr. \$ 600.00

Six Hundred Dollars and Zero Cents ----- DOLLARS
With Exchange

Consideration for for execution & delivery of Mort., effective 7/1/92 covering Sec. 21 & 24 T29N R10W

To: Jerman Consultant Group
(for SG Interests I, Ltd.)
1645 Court Place, Suite 300
Denver, Co. 80202

Susan J. Jerman
Susan J. Jerman

Description:

DETACH BEFORE PRESENTING FOR PAYMENT

T29N-R10W
Section 21: NE/4SW/4 - 5% of 40 ac. = 2 net ac.
Section 21: SE/4NW/4 - 5% of 40 ac. = 2 net ac.
Section 24: NE/4NE/4 - 5% of 40 ac. = 2 net ac.

County San Juan
State New Mexico
Gross Acres 120.00
Net Acres 6.00

INSOFAR AND ONLY INSOFAR as said Leases cover
from the surface of the earth down to the base of
the Fruitland (Coal) Gas Formation.

\$100.00 per net acre for purchase of 100% of Assgnor's interest

RECEIVED ORIGINAL AS PAYMENT

THIS IS A COLLECTION ITEM
NOT A CASH ITEM

CUSTOMER'S DRAFT
With privilege of Re-Draft

ASSIGNMENT OF OIL AND GAS LEASES

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned, Frederick L. Lilly, Jr., whose mailing address is 2895 Brighton Road, Shaker Heights, Ohio, 44120, hereinafter referred to as "ASSIGNOR", is the owner of the oil and gas leases described in Exhibit "A" attached hereto and incorporated herein by this reference, insofar as said leases cover the interests in the lands described in said Exhibit "A" situate in San Juan County, New Mexico.

NOW, THEREFORE, the said Assignor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration to it in hand paid by SG INTERESTS I, LTD., a Texas limited partnership, whose address in Suite 1505, 811 Dallas, Houston, Texas, 77002, hereinafter referred to as "ASSIGNEE", the receipt and sufficiency of which are hereby confessed and acknowledged, does hereby transfer, assign and convey unto Assignee all of Assignor's right, title and interest in and to the oil and gas leases described in said Exhibit "A" (the "Leases"), insofar and only insofar as the Leases cover from the surface of the earth down to the base of the Fruitland (Coal-Gas) Formation.

TO HAVE AND TO HOLD the same unto said Assignee, its successors and assigns, subject, however, to the following reservations, terms and conditions:

1. This Assignment of Oil and Gas Leases is subject to any and all encumbrances, including, but not limited to, the following; all royalties, overriding royalties, reversionary interests or other similar interests, of record, as of the Effective Date.

2. Assignee is subrogated to all rights of Assignor, in, under, and with respect to any and all warranties or representations heretofore made to or for the benefit of Assignor regarding or pertaining in any way to the nature or condition of title to any of the Leases.

3. Assignor agrees to indemnify and hold harmless Assignee from any and all claims, costs, expenses, liabilities or causes of action to or by third parties arising from activities which occur prior to the Effective Date involving the Leases. Assignee agrees to indemnify and hold harmless Assignor from any and all claims, costs, expenses, liabilities or causes of action to or by third parties arising from activities which occur subsequent to the Effective Date involving the Leases.

4. This Assignment of Oil and Gas Leases binds and inures to the benefit of Assignor and Assignee and their respective successors and assigns.

5. This Assignment of Oil and Gas Leases is made without warranty whatsoever, expressed, statutory or implied, except as to any claims which may be by, through or under Assignor.

IN WITNESS WHEREOF, this assignment is executed this _____ day of September, 1992, but Effective as of the 1st day of July, 1992.

FREDERICK L. LILLY, JR.

By: _____
Frederick L. Lilly, Jr.

STATE OF _____)
) ss.
COUNTY OF _____)

Before me, the undersigned authority, on this _____ day of _____, 1992, personally appeared Frederick L. Lilly, Jr., known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, and in the capacities therein stated.

WITNESS my hand and official seal the day and year last above written.

My Commission Expires: _____
Notary Public for the State
of _____
Address: _____

E X H I B I T " A "

Attached to and made a part of that certain
Assignment of Oil and Gas Leases
Effective July 1st, 1992
between
Frederick L. Lilly, Jr., as Assignor
and
SG Interests I, Ltd., a Texas Limited partnership

LEASE A:

ORIGINAL LESSOR: Raymond D. Farmer and Olive M. Farmer, husband and wife, Shirley M. Linder, a single woman, Louis C. Farmer and Frances Farmer, husband and wife, Walter C. Farmer, a single man, Carl V. Farmer and Marie Farmer, husband and wife, Audrey Foster and Howard N. Foster, wife and husband, Helen M. Dashen and Felix Dashen, wife and husband

ORIGINAL LESSEE: Claud E. Aikman

DATE: July 10th, 1956

ROYALTY: 15.00%

RECORDING DATA: Book 310, at page 174, records of San Juan County, New Mexico

DESCRIPTION: Township 29 North, Range 10 West, N.M.P.M.
Section 21: SE/4NW/4, NE/4SW/4
INSOFAR AND ONLY INSOFAR as said Lease covers from the surface of the earth down to the base of the Fruitland (Coal-Gas) Formation.
containing 80.00 gross acres, more or less

LEASE B:

ORIGINAL LESSOR: Raymond D. Farmer and Olive M. Farmer, husband and wife, Shirley M. Linder, a single woman, Louis C. Farmer and Frances Farmer, husband and wife, Walter C. Farmer, a single man, Carl V. Farmer and Marie Farmer, husband and wife, Audrey Foster and Howard N. Foster, wife and husband, Helen M. Dashen and Felix Dashen, wife and husband

ORIGINAL LESSEE: Claud E. Aikman

DATE: July 10th, 1956

ROYALTY: 15.00%

RECORDING DATA: Book 310, at page 176, records of San Juan County, New Mexico

DESCRIPTION: Township 29 North, Range 10 West, N.M.P.M.
Section 24: NE/4NE/4
INSOFAR AND ONLY INSOFAR as said Leases covers from the surface of the earth down to the base of the Fruitland (Coal-Gas) Formation.
containing 40.00 gross acres, more or less

**FEDERAL
EXPRESS**USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.
USE THE INTERNATIONAL AIRWAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS
QUESTIONS? CALL 800-238-5355 TOLL FREE.**AIRBILL**
PACKAGE
TRACKING NUMBER**3248570474****3248570474****SENDER'S COPY**

Sender's Federal Express Account Number		Date	
		9-29-92	
From (Your Name) Please Print		Your Phone Number (Very Important)	
James B. Fullerton		303 534-4502	
Company		Department/Floor No.	
SG Methane Company			
Street Address		To (Recipient's Name) Please Print	
1645 Court Place, #406		Frederick L. Lilly Jr.	
City		Company	
Denver			
State		Exact Street Address (We cannot deliver to P.O. Boxes or P.O. Zip Codes.)	
Colo.		2895 Blighton Road	
ZIP Required		City	
80202		Shaker Heights	
		State	
		Ohio	
		ZIP Required	
		44120	
YOUR INTERNAL BILLING REFERENCE INFORMATION (First 24 characters will appear on invoice.)			
IF HOLD FOR PICK-UP, Print FEDEX Address Here			
Street Address			
City			
State			
ZIP Required			
PAYMENT 1 <input type="checkbox"/> Bill Sender 2 <input type="checkbox"/> Bill Recipient's FedEx Acct. No. 3 <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. 4 <input type="checkbox"/> Bill/Credit Card			
5 <input type="checkbox"/> Cash/Check Acct./Credit Card No. Fill in Account Number below (req'd) Fill in Credit Card No. below (req'd) Exp Date			
4 SERVICES (Check only one box)		5 DELIVERY AND SPECIAL HANDLING (Check services required)	
Priority Overnight (Delivery by next business morning) 11 <input type="checkbox"/> YOUR PACKAGING 16 <input type="checkbox"/> FEDEX LETTER 12 <input checked="" type="checkbox"/> FEDEX PAK * 13 <input type="checkbox"/> FEDEX BOX 14 <input type="checkbox"/> FEDEX TUBE Economy Two-Day (Delivery by second business day) 30 <input type="checkbox"/> ECONOMY		1 <input type="checkbox"/> HOLD FOR PICK-UP (Fill in Box H) 2 <input checked="" type="checkbox"/> DELIVER WEEKDAY 3 <input type="checkbox"/> DELIVER SATURDAY (Extra charge) (Not available to all locations) 4 <input type="checkbox"/> DANGEROUS GOODS (Extra charge) 5 <input type="checkbox"/> 6 <input type="checkbox"/> DRY ICE _____ Lbs. 7 <input type="checkbox"/> OTHER SPECIAL SERVICE _____ 8 <input type="checkbox"/> 9 <input type="checkbox"/> SATURDAY PICK-UP (Extra charge) 10 <input type="checkbox"/> 11 <input type="checkbox"/> 12 <input type="checkbox"/> HOLIDAY DELIVERY (if offered) (Extra charge)	
Standard Overnight (Delivery by next business afternoon) 51 <input type="checkbox"/> YOUR PACKAGING 56 <input type="checkbox"/> FEDEX LETTER * 52 <input type="checkbox"/> FEDEX PAK * 53 <input type="checkbox"/> FEDEX BOX 54 <input type="checkbox"/> FEDEX TUBE Government Overnight (Restricted to authorized users only) 46 <input type="checkbox"/> GOVT LETTER 41 <input type="checkbox"/> GOVT PACKAGE Freight Service (For Extra Large or any package over 150 lbs.) 70 <input type="checkbox"/> OVERNIGHT FREIGHT ** 80 <input type="checkbox"/> TWO-DAY FREIGHT ** *Declared Value Limit \$100 **Call for delivery schedule		6 PACKAGES WEIGHT in Pounds Only YOUR DECLARED VALUE (See right) Total Total Total DIM SHIPMENT Chargeable Weight <input type="checkbox"/> _____ lbs x x = Received At 1 <input type="checkbox"/> Regular Stop 3 <input type="checkbox"/> Drop Stop 2 <input type="checkbox"/> On-Call Stop 4 <input checked="" type="checkbox"/> BSC 5 <input type="checkbox"/> Station	
7 SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details. We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income, interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$100.00. In the event of untimely delivery, Federal Express will at your request and with some limitations, refund all transportation charges paid. See Service Guide for further information. Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom. Release Signature: _____ Date/Time FedEx Emp No			
Federal Express Use Base Charges Declared Value Charge Other 1 Other 2 Total Charges REVISION DATE 4/91 PART #3722 GBFL FORMAT #062 082 PRINTED IN U.S.A.			