

**STATE OF NEW MEXICO**  
**ENERGY, MINERALS AND NATURAL**  
**RESOURCES DEPARTMENT**  
**OIL CONSERVATION**

**CASE #: 14308**

**EXHIBIT 5**

## MEMORANDUM OF AGREEMENT

State: New Mexico  
County: Eddy

Farmor: Mr. E. Earl Baldrige III  
P.O. Box 50716  
Midland, Tx. 79710

WKKA, Ltd.  
P.O. Box 10354  
Midland, Tx. 79702

Three Span Oil and Gas Company, Inc.  
P.O. Box 51538  
Midland, Tx. 79702

Farmee: Peregrine Production, LLC.  
P.O. Box 1844  
Midland, Tx. 79702

Effective Date: December 5, 2008

Farmor and Farmee, named above, have entered into a Farmout Agreement (the "Agreement") dated and effective December 5, 2008 pertaining to those lands described on Exhibit "A" to this Memorandum (the "Lands and Leases"). In the Agreement, Farmor, as owner of the Lands and Leases, has granted to Farmee, certain operating rights and interests under the Leases and Lands for a term of one (1) year from the effective date of the Agreement.

A fully executed copy of the Agreement is in the possession of Farmee.

This Memorandum is signed by Farmor and Farmee as of the date of acknowledgment of their signatures below, but is effective for all purposes as of the Effective Date stated above. It is being placed of record to give constructive notice of the Agreement in lieu of recording the entire Agreement.

Farmor :

Three Span Oil and Gas, Inc.

By: E. Earl Baldrige, III  
Its: President

By: E. Earl Baldrige, III

WKKA, Ltd.

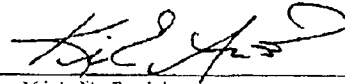
By: ENMG, LLC General Partner  
William M. Wallace, President

Oil Conservation Division  
Case No. 14308  
Exhibit No. 1

Peregrine Production LLC  
P O Box 1844  
Midland TX 79702

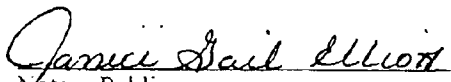
Farnice :

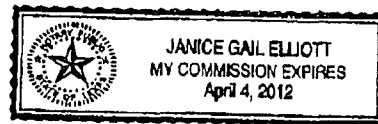
Peregrine Production, LLC.

  
 By: Kirk E. Smith  
 Its: President

STATE OF TEXAS                   )  
   )  
 COUNTY OF MIDLAND            )

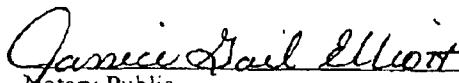
The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of December, 2008, by E. Earl Baldridge, III as President, on behalf of **Three Span Oil and Gas, Inc.**

  
 Notary Public



STATE OF TEXAS                   )  
   )  
 COUNTY OF MIDLAND            )

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of December, 2008, by By ENMG, LLC, General Partner, William M. Wallace as President, on behalf of **WKKA, Ltd.**

  
 Notary Public



STATE OF TEXAS )  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of December, 2008, by E. Earl Baldrige, III.

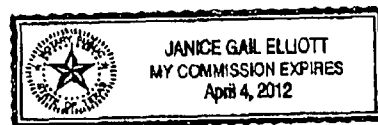
Janice Gail Elliott  
Notary Public



STATE OF TEXAS )  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of ~~January~~ <sup>December</sup>, 2008, by Kirk E. Smith, as President of Peregrine Production, LLC. on behalf of said corporation.

Janice Gail Elliott  
Notary Public



## Exhibit "A"

Attached to and made a part of that  
Memorandum of Agreement, dated effective 12-5-08, between,  
Three Span Oil and Gas Company, Inc. et al, as "Farmor "  
and Peregrine Production, LLC, as " Farmee"

Lessor: USA  
Lessee: Fabco Oil Company, Inc.  
Dated: 4-1-83  
State Lease No.: NM 54856  
Lands Covered: Township 16 South, Range 28 East  
Section 30 : E2SE, NENE  
Surface to the base of the Wolfcamp formation only  
Eddy County, New Mexico

RECEPTION NO: 0813722 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 12/15/2008 10:01 AM  
BOOK 0761 PAGE 1065 *C. Cook*  
DARLENE ROSPRIM, COUNTY CLERK

