

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Great Western Drilling Co.  
P.O. Box 1659  
Midland, Texas 79701**

**COMPLETE THIS SECTION ON DELIVERY**

Signature: *Bob Bell*  Agent  Addressee

B. Received by (Printed Name): *Bob Bell* C. Date of Delivery: *7-25-02*

D. Is delivery address different from item 1?  Yes  No

If YES, enter delivery address below:

**JUL 25 2002**

**AS, INC.**

**02**

3. Service Type

Certified Mail  Express Mail

Registered  Return Receipt for Merchandise

Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number

**7002 0460 0002 0091 4126**

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

Great Western Drilling Company  
P.O. Box 1659  
Midland, Texas 79701

Re: TRIPLE TEASER FEDERAL COM. "1" #1(WEST BULLDOG PROSPECT)  
1200' FNL & 1335' FEL  
Section 1, T16S-R34E  
Lea County, New Mexico

Dear Sirs:

David H. Arrington Oil & Gas, Inc.(DHAO&G) hereby proposes the drilling of the captioned well at the legal location referenced above to test the Atoka and Morrow gas formations. This well will be drilled to an approximate vertical depth of 13400' and the proposed spacing unit for the well will be the Lots 1,2,7,8,9,10,15& 16 of Section 1. You will find enclosed an AFE for the drilling of this well, which sets forth the anticipated costs.

In the event that Great Western should desire to participate in the drilling of this well, please so indicate by signing and returning one copy of the AFE to my attention. In the event that you should elect to not participate in the drilling of this well, DHAO&G is willing to discuss other options regarding your interest.

If you should have any further questions or require additional information, please call at (915) 682-6685 or Mr. Dale Douglas at (915) 682-5565.

Sincerely,  
**DAVID H. ARRINGTON OIL & GAS, INC.**

*Bill Baker Jr.*  
Bill Baker Jr.  
Exploration Manager  
Enclosures/Attachments

**BEFORE THE OIL CONSERVATION  
DIVISION**  
Santa Fe, New Mexico  
Case No. **12956** Exhibit No. **7**  
Submitted by: **Great Western Drilling Company**  
Hearing Date: **November 14, 2002**

TERM ASSIGNMENT OF OIL AND GAS LEASES

STATE OF NEW MEXICO  
COUNTY OF LEA

§  
§  
§

KNOW ALL MEN BY THESE PRESENTS:

For a valuable consideration, the receipt and sufficiency of which are hereby acknowledged, HUNT OIL COMPANY, Fountain Plaza, 1445 Ross at Field, Dallas, Texas 75202-2725 ("Assigner"), hereby sells, assigns, and conveys to DALE DOUGLAS, P.O. Box 10187, Midland, TX 79702 ("Assignee"), without warranty of title either express or implied, subject to the reservations and terms set forth below, all of Assigner's right, title, and interest in and to the Oil and Gas Leases ("Leases") described on attached Exhibit "A", which is made a part hereof for all purposes and is incorporated by reference as if here fully set forth, insofar and only insofar as said Leases cover the lands situated in Gaines County, Texas, as more particularly described on attached Exhibit "A", such lands hereafter referred to as the "Contract Area".

This Term Assignment of Oil and Gas Lease ("Assignment") is made subject to the following provisions:

1. This Assignment shall remain in full force and effect for a term of two years from the Effective Date of this Assignment as set forth herein below or until the date the Lease expires or terminates (whichever occurs first), hereinafter called "Primary Term" and as long thereafter as (i) oil or gas is produced from the respective Well Tract(s) as defined herein below within the Contract Area, or from lands pooled therewith, or (ii) as otherwise provided herein as to each individual Well Tract. Ninety (90) days after the expiration of the Primary Term, this Assignment shall terminate as to all depths and lands covered by this Assignment not included within a "Well Tract," as defined hereinafter. A "Well Tract" shall consist of (i) an area out of the Contract Area (or lands pooled therewith as provided below) surrounding each well drilled by Assignee which is capable of producing oil and/or gas not to exceed forty (40) acres for each oil well or one hundred sixty (160) acres for each gas well with the Well Tract for each such well being as nearly as practicable in the shape of a square or rectangle surrounding such well; and (ii) depths from the applicable top depth assigned herein as to the applicable land in the Contract Area down to and including one hundred feet (100') below total depth of the applicable well. Should, however, the governmental authority having jurisdiction prescribe or permit the creation of drilling or production units having a larger area than the area above specified for Well Tracts in order to obtain the maximum production allowable, then said Well Tracts shall conform substantially in size with said drilling or production units prescribed or permitted by governmental regulations. Assignee may pool or utilize any portion of the lands covered by this Assignment to create a pooled unit containing up to the maximum allowed Well Tract acreage in the same manner as the applicable underlying Lease may be pooled without joinder of Assigner. It is understood that should all or any portion of the lands covered by this Assignment be pooled or utilized under the provisions of the applicable underlying Lease, that land so pooled or utilized and the pooled unit created thereby shall be deemed the Well Tract for purposes of this Assignment.

If at the expiration of the Primary Term, oil or gas is not being produced from any part of the Contract Area but Operator is then engaged in drilling or reworking operations thereon or on lands pooled therewith or shall have completed a dry hole thereon or on lands pooled therewith within ninety (90) days prior to the end of the Primary Term, this Assignment shall remain in force so long as operations on said well, or for the drilling or reworking of any additional well on the Contract Area or lands pooled therewith, are prosecuted with no cessation of more than ninety (90) consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from the Well Tract.

After the expiration of the Primary Term for the purpose of this Assignment, each Well Tract shall be treated as though it is under a separate lease and shall be maintained in force individually in the same manner as the applicable underlying Lease is maintained. Within sixty (60) days after this Assignment terminates as to any part of the Contract Area, Assignee shall furnish Assigner with information and maps identifying all Well Tracts, if any, and shall reassign to Assigner by appropriate recordable assignment all of the Contract Area not included within a Well Tract, free and clear of any liens, encumbrances, overriding royalties, production payments or other like lease burdens other than the Lease Burdens (as defined herein below) of record and in existence as of the execution date hereof.

As used herein, the term "oil well" shall be a well which produces hydrocarbons and is not herein defined as a gas well; the term "gas well" shall be a well so classified by law or an authorized governmental entity for conservation purposes, or, in the absence thereof, a well which produces 16,000 cubic feet of gas, or more, to each barrel of liquid hydrocarbon from the same zone based on a twenty-four (24) hour production test under normal producing conditions and using separate facilities or equivalent testing equipment and procedures. After the Primary Term, if a well originally classified as a gas well ceases to be capable of classification as a gas well but as defined herein is an oil well, the Well Tract held by such well shall change to the acreage as provided herein for an oil well. After the Primary Term, if a well originally defined as an oil well shall be reclassified as a gas well, such reclassification shall have no effect on the size of the Well Tract held by such well.

2. Assigner hereby excepts and reserves to itself, its successors and assigns from the interests herein conveyed, an overriding royalty equal to the difference between existing burdens of record and

(twenty-two percent (22%) of all oil, gas and other hydrocarbons produced, saved, and sold from the Contract Area under the terms of the Lease. If, as, and when produced, saved, and sold but not otherwise, the overriding royalty reserved shall be further subject to proportionate reduction in the event said Lease covers less than the full interest in the oil, gas, and associated hydrocarbons in, on, and under said lands or if the interest assigned hereunder is less than a full interest. Such overriding royalty interest shall be subject to, bear and pay currently its share of ad valorem, severance production, pipeline taxes or other taxes applicable thereto. This overriding royalty herein reserved by Assignor, shall be free and clear of all costs and expenses of drilling and/or operating a well capable of producing oil, gas or associated hydrocarbons, including but not limited to compression, dehydration, development, production, transportation, gathering, marketing and operating expenses and charges. Subject to the maximum Well Tract acreage limitation set forth hereinabove, the overriding royalty herein reserved may be pooled in the same manner and under the same terms and conditions as the applicable underlying Lease may be pooled.

3. Assignee shall, as part of the consideration for this Assignment, fully defend, protect, indemnify, hold harmless, and render whole Assignor, its subsidiaries and affiliates, and the respective directors, officers, agents and employees of Assignor and its subsidiaries and affiliates from and against each and every claim, demand or cause of action, and any liabilities, costs, damages, losses, penalties, costs of cleanup and remediation, fines, liens, judgments, and any other expenses whatsoever (including, but not limited to, reasonable attorneys' fees and costs of court), made or alleged by Assignee, its successors and assigns, or by any third party or parties (including, but not limited to, governmental agencies) on account of personal injury or death, lease maintenance matters (including, but not limited to, the payment of royalties), environmental damage, property damage, or any claims based on any state, regulations as to the quantity, quality, or value of the property, caused by, arising out of, or incidental to the use thereof after the date hereof, howsoever occurring, including, without limitation, whether such injuries, damages, claims, losses, and liabilities, with or without fault, were caused by Assignee's sole negligence or contributory negligence or imposed on said parties or others under any theory of strict liability by operation of law, or any other theory of law subsequent to the date hereof.

4. By acceptance of this Assignment, Assignee agrees to perform any and all obligations arising under or with respect to the ownership or operation of the Lease and Contract Area from and after the date hereof, including, but not limited to, the proper plugging and abandonment of the wells located thereon or therein. All operations conducted pursuant to the terms hereof, including the drilling, operation and completion or plugging of any well shall be conducted at Assignee's sole expense, cost, risk and liability. Assignee releases Assignor from any costs and/or liability in connection with Assignee's operations pursuant to this Assignment and Assignee shall protect, defend, indemnify and hold Assignor harmless from any claims, causes of action, or lawsuits which may arise as a result of Assignee's operations, and Assignee shall keep the premises, the well and all permanently installed equipment used in connection with Assignee's operations free of liens and encumbrances.

5. Assignor shall assign to Assignee at its cost any additional rights, titles or interests, including but not limited to, oil and gas lease which Assignor may acquire during the Primary Term of this Assignment insofar as pertain to the Contract Area.

6. This Assignment and any overriding royalty interest reserved hereunder shall apply to any new, renewal or extension lease, acquired by Assignee within one (1) year of the expiration of the Lease on the Contract Area so that the parties hereto shall be entitled to the same interest in said new, renewal or extension lease as they would have if said new, renewal or extension lease were described in this Assignment.

7. The rights, titles and interests herein assigned, reserved, excepted or retained shall enure to the benefit of the respective parties, and their successors and assigns provided that no assignment or removal shall be made by Assignee of any interest hereunder without the prior written consent of Assignor. Any change or division in ownership of the rights, titles and interests herein assigned and/or reserved, however accomplished, shall operate to enlarge the obligations or diminish the rights of Assignor or Assignee. The covenants, obligations and agreements contained herein shall be construed as covenants running with the land.

8. This Assignment is made without representation or warranty of any kind express or implied, and any and all representations or warranties of any kind, express, implied, contractual or statutory with respect to the condition, serviceability, merchantability, or fitness for a particular use or purpose of any personal property conveyed hereby are expressly negated.

9. Assignee shall be bound by, and each and every term and provision of this Assignment shall be subject to, the terms and provisions of the Lease, and Assignee shall fulfill its proportionate share of all obligations, conditions and covenants in the Lease. Assignee covenants and agrees to comply with all valid laws, rules and regulations of the state and federal regulatory bodies and all other governmental agencies having jurisdiction over the Contract Area.

10. The interests herein assigned, transferred and conveyed are expressly assigned, transferred and conveyed subject to all valid subsisting unit agreements, unit operating agreements, gas balancing

agreements, gas sales agreements, oil sales agreements and other agreements with respect to operations on or the sale of oil and gas production from the Contract Area on the Effective Date of this Assignment.

11. Assignor shall be entitled to the following rights and privileges and shall be furnished the following information and materials:

(a) Assignor shall have access to the well and well records at all reasonable times and shall be furnished with a copy of the drilling permit, any completion or plugging report, as the case may be, and reports of daily drilling progress. Assignor shall have access to samples of the cores obtained from the drilling of any well hereunder. Daily drilling reports and other information shall be furnished to Assignor in accordance with the instructions contained in Form Gen. 288-B (Geological and Well Requirements) attached hereto as Exhibit "B".

(b) Assignor shall be notified of the running of any drillstem or other test on any well within sufficient time to be present and observe such tests and be furnished the results of all such tests and a copy of each log run as soon as they are available to Assignee.

12. Lessee acknowledges that there is existing production from the lands covered by these Lessee. Lessee shall conduct its operations in a prudent manner and shall avoid interference to or damage to existing well bores or production equipment, including but not limited to well heads, pumps, flow lines, tanks and access roads.

13. All terms and provisions of this Assignment shall be binding upon, and inure to the benefit of the parties hereto, their successors and assigns.

14. The Effective Date of this Assignment shall be March 1, 2001.

EXECUTED this 23<sup>rd</sup> day of March, 2001.

ASSIGNOR

ASSIGNEE

HUNT OIL COMPANY, a Delaware Corporation

DALE DOUGLAS

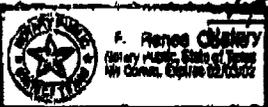
By: Paul R. Hebenicht <sup>RC</sup>  
Paul R. Hebenicht  
Vice President - U.S. Production <sup>CP ab</sup>

[Signature]

STATE OF TEXAS §  
COUNTY OF DALLAS §

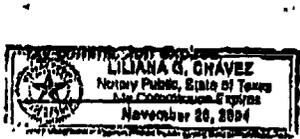
This instrument was acknowledged before me this 23<sup>rd</sup> day of March, 2001, by Paul R. Hebenicht, Vice President - U.S. Production of Hunt Oil Company, a Delaware Corporation, on behalf of said corporation.

My commission expires 2-3-2002  
[Signature]  
Notary Public in and for the State of Texas



STATE OF TEXAS §  
COUNTY OF MIDLAND §

This instrument was acknowledged before me this 28<sup>th</sup> day of March, 2001, by Dale Douglas.



[Signature]  
Notary Public in and for the State of Texas

**EXHIBIT "A"**

Attached to and made a part of that certain Term Assignment of Oil and Gas Lease from Hunt Oil Company to Dale Douglas, covering the following Leases insofar and only insofar as said Lease covers lands described located in Lea County, New Mexico.

**HOC LEASE NO.:** P73338-00  
**LESSOR:** USA 8NM-17444  
**LESSEE:** A.D. Weatherly  
**LEASE DATE:** February 1, 1973  
**LANDS ASSIGNED:** T155-R34E  
Section 33: NW4  
Section 34: S/2 NE4, N/2 SE4

T155-R34E  
Section 1; Lots 1, 2, 7, 8, 9, 10, 15 & 16

All knitted from the surface to the Base of the Morrow Formation.

**EXHIBIT "B"**  
**ATTACHED TO AND MADE A PART OF TERM ASSIGNMENT OF OIL AND GAS LEASES**  
**DATED EFFECTIVE MARCH 1, 2001**  
**FROM HUNT OIL COMPANY, AS ASSIGNOR, TO DALE DOUGLAS, AS ASSIGNEE**

GEN. 289-B(DEV.)  
 Rev. Apr./00  
 MIDLAND DISTRICT

HUNT OIL COMPANY  
 1445 Ross at Field  
 Dallas, Texas 75202-2786

OPERATOR: \_\_\_\_\_ LEASE: \_\_\_\_\_ WELL \_\_\_\_\_  
 FIELD: \_\_\_\_\_ Ph # \_\_\_\_\_ COUNTY: LEA STATE: NEW MEXICO

24 HOUR PHONE NOTIFICATION OF ANY LOGGING, CORING, OR TESTING IS REQUESTED. REGARDING ANY PROPOSAL TO ATTEMPT TO COMPLETE, PLUG AND ABANDON, DEEPEN, SIDETRACK, PLUG BACK OR ATTEMPT ANY UNUSUAL OPERATION NOT CONTEMPLATED UNDER OUR ORIGINAL DRILLING AGREEMENT, THE FOLLOWING MIDLAND OFFICE STAFF SHOULD BE CONTACTED BY PHONE:

	<u>OFFICE</u>	<u>PERSONAL OFFICE</u>	<u>HOME</u>
Tommy Richardson	(915) 684-8093	(915) 684-0630	(915) 694-8506
David Chapman	(915) 684-8083	(915) 684-0603	(915) 694-1502
Tony Gonnell (For Logging)	(214) 978-8455	(214) 978-8455	(972-508-2181)
Dallas Communications	(214) 978-8000		

REGARDING LOGGING INFORMATION, ALL CONTINUOUS LOGS SHOULD BE SENT BY TELECOPIER TO AREA CODE (214) 855-5217

INFORMATION TO BE SENT TO MIDLAND DISTRICT OFFICE, P. O. BOX 1250, MIDLAND, TEXAS 79702, ATTN: David Chapman, AS FOLLOWS:

1. Location Plat, drilling prognosis, and drilling contract.
2. Complete daily drilling report and estimated costs mud logs should be sent by telecopier (915) 684-0655 single sheet and (915) 684-0851 for logs (Automatic Answering) where possible. If you do not have a telecopier, call David Chapman at (915) 684-8083 by 9:00 a.m. each day.
3. One (1) daily mud log telecopied and mailed, immediate notification of any shows, and two copies of the final-mud log.
4. Three (3) field copies and two (2) final copies of electrical and/or formation logs (including RPT), and one (1) film of each final log; two (2) copies of deviation reports and directional surveys.
5. Two (2) copies of all DST, Core Description and Core Analysis.
6. Two (2) copies of all completion test information.
7. Copies of all forms filed with state and/or federal agencies where well is drilled (including permits, completion and P&A).
8. Production, fluid analysis, and BHP reports.
9. One (1) copy of Paleontological and Paleogeologic report.
10. One (1) set of formation samples, if requested.

SAFE PROPOSALS, JOINT INTEREST BILLING STATEMENTS, PROPOSALS FOR DRILLING ADDITIONAL WELLS ON THE PROPERTY, AND ANY OTHER NOTICES SHALL BE FURNISHED TO:

HUNT OIL COMPANY  
 1445 ROSS AT FIELD  
 DALLAS, TEXAS 75202-2786  
 ATTENTION: JOINT INTEREST ACCOUNTING  
 DEPARTMENT TELEPHONE: (214) 978-8228  
 TELEX: 6829258  
 TELECOPIER: (214) 978-8888 (All Regular Faxes)  
 (214) 855-5217 (Continuous Logs)

cc: Well File  
 Division Exploration Manager  
 Operator STATE OF NEW MEXICO  
 COUNTY OF LEA  
 FILED



13661

NOV 07 2001  
 10:57 AM  
 and recorded in Book \_\_\_\_\_  
 Page \_\_\_\_\_  
 Myra M. Hinkle, Leas County Clerk  
 By \_\_\_\_\_ Deputy