Agreement Concerning Well Rights and Obligations

This agreement is made and entered into by and between S.R.I. Production, Inc., a Texas corporation qualified to conduct business in the State of New Mexico and Billy G. Hill of Dexter, New Mexico.

Recitals:

A. S.R.I. Production, Inc. has completed as a dry hole the State-Kirkman (H#1) well, Unit Letter J at a location 2,310 feet from the south line and 2,310 feet from the east line of Section 28, T4N, R12E, Torrance County, New Mexico. The said well, bearing A.P.I. identification number 30-057-20014, was drilled to a total depth of 494 feet with 8-5/8 inch casing set to a depth of 300 feet.

B. S.R.I. Production, Inc. considers the subject well to have no further utility in its exploration for oil and gas upon the leased premises on which the well was drilled and desires to be relieved of all further obligation and responsibility with respect to the said well.

C. Billy G. Hill, as owner of the surface estate of the land upon which the said well was drilled, desires to utilize same as a water well.

NOW THEREFORE, in consideration of the premises and for valuable considerations each to the other in hand paid, the parties hereto hereby agree and covenant as follows:
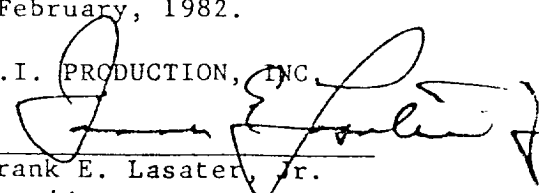
D. S.R.I. Production, Inc. hereby assigns and transfers unto Billy G. Hill all right, title and interest in and to the wellbore, casing and other personal property remaining at the wellsite for use in connection with water well operations.

E. In consideration for the assigning of rights to the said well and equipment relating thereto, Billy G. Hill hereby agrees to assume all responsibility and obligations in any manner pertaining to the said well and to indemnify and save harmless S.R.I. Production, Inc. from and against any and all liabilities or claims arising or accruing from and after the date of execution hereof, expressly waiving the plugging and abandoning of the well as a dry hole.

WITNESS THE EXECUTION hereof this 23'd day of February, 1982.

S.R.I. PRODUCTION, INC.

By _____
Frank E. Lasater, Jr.
President