ASSIGNMENT OF OPERATING RIGHTS

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NAR 1999 Received

THIS ASSIGNMENT made and entered into effective this ^{OCD} ARTENA of January, 1999, by and between MOREXCO, INC., a New Mexico corporation, whose address is P. O. Box 481, Artesia, New Mexico, 88211 (hereinafter referred to as "Assignor") and ROBERT H. FORREST, JR., 609 Elora, Carlsbad, New Mexico, 88220 (hereinafter referred to as "Assignee").

WITNESSETH:

WHEREAS, Assignor is the owner of record of the oil and gas operating rights relative to United States of America Oil and Gas Lease NM-68038 insofar as it covers the SE½NW½ Section 5, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, comprising 40 acres, more or less, but limited to those depths between the surface and 4,616 subsurface (hereinafter the "Subject Lease and Lands"); and

WHEREAS, Assignor is desirous of conveying to Assignee all of its right, title and interest in and to the Subject Lease and Lands, together with 100% of the working interest in the Morexco, Inc. Shinnery Federal No. 1 Well.

NOW, THEREFORE, for and in consideration of the premises and Ten Dollars (\$10.00) cash in hand paid to Assignor by Assignee, the receipt and sufficiency of which is hereby acknowledged, Assignor does hereby grant, sell, transfer, assign and convey unto Assignee all of Assignor's right, title and interest in and to United States of America Oil and Gas Lease NM-68038 insofar as the same covers the SEXNWY Section 5, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, limited however to those depths and horizons lying between the surface of the earth and subsurface depth of 4,616 feet and subject to the reservations, exceptions and limitations herein contained. For the same consideration, Assignor conveys to Assignee 100% of the working interest relative to the Morexco, Inc. Shinnery Federal No. 1 Well together with all personal property, equipment and fixtures associated therewith, representing to Assignee that the working interest earns a net 80% of 8/8 of production.



The interest herein assigned is subject to all overriding royalties, production payments and other burdens on production validly created and existing of record and is further subject to that certain Farmout Agreement dated December 4, 1997, between Kenneth R. Owens, et ux., and Assignor which agreement contemplates the delivery of a net 80% revenue interest in the event that the farmee drills a successful well.

This Assignment is also subject to that certain Assignment of Operating Rights dated <u>January 12,1999</u> by and between Kenneth R. Owens, et ux. Sharon L. Owens, and Assignor, recorded in Book <u>341</u>, page <u>772</u> of the Eddy County records.

Assignor has disclosed to Assignee that Assignor has working interest partners in the Subject Lease and Lands and the Shinnery Federal No. 1 Well whose ownership interests are not reflected of record. Assignor represents that it has the written authority from each working interest owner relative to the Subject Lease and Lands and the Shinnery Federal No. 1 Well to convey 100% of the working interest and operating rights described herein. Assignor agrees to execute such further instruments as may be necessary to vest Assignee with 100% interest in the operating rights relative to the Subject Lease and Lands, and 100% of the working interest, earning a net 80% revenue interest, relative to the Shinnery Federal No. 1 Well.

This Assignment is made without warranty of title, either express or implied by the Assignor, and Assignee assumes and agrees to perform all the covenants, stipulations and obligations of the lessee contained in or created by the Subject Lease.

TO HAVE and TO HOLD the herewith assigned interests unto Assignee, his successors and assigns, subject to the terms and provisions contained herein.

ASSIGNOR:

MOREXCO, INC. By: Donald G. Becker, President Jr.

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ASSIGNEE:

Robert H. Forrest STATE OF NEW MEXICO SS. COUNTY OF Eddy The foregoing instrument was acknowledged before me this <u>23''</u> day of ______, 1999, by Donald G. Becker, Jr., President of Morexco, Inc., a New Mexico corporation. Notary **Pub** My Commission expires: STATE OF NEW MEXICO SS. COUNTY OF Elly The foregoing instrument was acknowledged before me this 22^{-2} day of 22^{-2} , 1999, by Robert H. Forrest, Jr. Notary Public My Commission expires: STATE OF NEW MEXICO County of Eddy FOR FILED FEB 2 3 1999 RECORD at _____ o'clock . P. . M.

at 3:44 o'diack _____M., and was duty recorded in BOOK 344 PAGE 274 of the Records or Edgy Courty Jean Etchevery, Courty Clerk By: theiddlight Deputy

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