



DESIGNATION OF SUBOPERATOR

Designation of Suboperator for the Delaware Formation (also known as the Delaware Mountain Group) with the Initial Delaware Participating Area being the Northeast Quarter, Section 13, T-23-S, R-29,E, N.M.P.M., Eddy County, New Mexico, Nash Unit Area, County of Eddy, State of New Mexico, Unit Agreement No. 14-08-0001-14168.

This indenture, dated as of the 28th day of May, 1992, being the date operations were commenced on the Nash Unit Well #9, by and between Strata Production Company, hereinafter designated as "First Party", and Murchison Oil and Gas, Inc., hereinafter designated as "Second Party".

WITNESSETH: Whereas under the provisions of the act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., the Secretary of the Interior, on the 25th day of July 1974, approved a unit agreement for the Nash Unit Area, wherein Mesa Petroleum Company was designated as Unit Operator.

Whereas, on the 12th day of November, 1976, the Area Oil and Gas Supervisor, Mineral Resources, Bureau of Land Management, New Mexico State Office, approved the Initial Delaware Participating Area, effective as of June 22, 1976; and

Whereas, on the 3rd day of July, 1990, the Assistant District Manager, Mineral Resources, Bureau of Land Management, Roswell District Office, New Mexico State Office, approved Designation of Successor Unit Operator naming Murchison Oil and Gas, Inc. as Unit Operator; and

Whereas said Murchison Oil and Gas, Inc. has resigned as Operator of the Initial Delaware Participating Area and the designation of a Suboperator is now required; and

Whereas, the First Party has been and hereby is designated by Second Party as Suboperator, and said First Party desires to assume all the rights, duties, and obligations of Suboperator as to the Delaware Formation in the Nash Unit:

Now, therefore, in consideration of the premises hereinbefore set forth and the promises hereinafter stated, the First Party hereby covenants and agrees to fulfill the duties and assume the obligations of Suboperator under and pursuant to all the terms of the Unit Agreement, and the Second Party covenants and agrees that, effective upon approval of this indenture by the Bureau of Land Management, New Mexico State Office, First party shall be granted the exclusive right and privilege of exercising any and all rights and privileges as Suboperator, pursuant to the terms and conditions of said unit agreement; said unit agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said unit agreement were expressly set forth in this instrument.