

ASSIGNMENT, BILL OF SALE AND CONVEYANCE



The undersigned, Action Oil Company, Inc., a New Mexico corporation, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged for all purposes, does hereby bargain, sell, transfer, assign and convey unto John Cunningham, an undivided 43.75% interest, Arthur L. Smalley, III, an undivided 43.75% interest, and Jim Wilson, an undivided 12.50% interest, hereinafter jointly referred to as "Assignee", all of the oil and gas leasehold operating rights interests, and associated working interests and net revenue interests, specified in Exhibit "A", attached hereto and incorporated herein by reference for all purposes, in and to those certain oil and gas leases and lands described in Exhibit "A", said leases and lands hereinafter referred to as the "Leases and Lands", together with the associated wellbore rights in the wells identified in Exhibit "A", said wells hereinafter referred to as the "Wells".

For purposes of this assignment instrument, the term "wellbore rights" shall mean (a) ownership of the tangible assets located in, on, or at the surface of the Wells, and (b) ownership of production, or the proceeds thereof, from the Wells.

This Assignment, Bill of Sale and Conveyance is made with general warranty covenants, except, however, the conveyance of the tangible assets located in, on, or at the surface of the Wells is made and accepted without warranties of any kind, either express or implied, including warranties relating to the condition or merchantability of said assets or the fitness thereof for a particular purpose or purposes. Assignor further warrants to Assignee that the undivided interests set forth in Exhibit "A" as "Net Revenue Interest" correctly states the percentage of the gross proceeds of production from or attributable to the Leases and Lands and the Wells to which Assignee will be entitled and that the undivided interests set forth in Exhibit "A" as "Gross Working Interest" correctly states the percentage of the total costs and expenses related to the development of and operation of the Leases and Lands and Wells which Assignee will be obligated to bear.

This Assignment, Bill of Sale and Conveyance is expressly made subject to all of the terms, conditions and provisions set forth in that certain Purchase and Sale Agreement, dated December 31, 1997, by and between Assignor and Johnny Cunningham, d/b/a R&J Enterprises,

and applicable to the Leases and Lands and the Wells. As between the individual assignees to this assignment instrument, John Cunningham shall have and possess all of the rights to operate the Leases and Lands and the Wells as provided for in said Purchase and Sale Agreement.

This Assignment, Bill of Sale and Conveyance is made and delivered simultaneously with the making and delivery of the following assignment instruments applicable to the Leases and Lands and the Wells:

- (a) Assignment of Mining Lease, Contract No. 14-20-604-90, by and between Action Oil Company, Inc., as Assignor, and Johnny Cunningham, d/b/a R&J Enterprises, as Assignee;
- (b) Assignment of Oil and Gas Lease--Operating Rights, Lease No. 14-20-604-90, by and between and Johnny Cunningham, d/b/a R&J Enterprises, as Assignor, and Arthur L. Smalley, III, and Jim Wilson, as Assignees;
- (c) Assignment of Mining Lease, Contract No. NOO-C-14-20-0603-903, by and between Action Oil Company, Inc., as Assignor, and Johnny Cunningham, d/b/a R&J Enterprises, as Assignee;
- (d) Assignment of Oil and Gas Lease--Operating Rights, Lease No. NOO-C-14-20-0603-903, by and between and Johnny Cunningham, d/b/a R&J Enterprises, as Assignor, and Arthur L. Smalley, III, and Jim Wilson, as Assignees;
- (e) Assignment of Mining Lease, Contract No. NOO-C-14-20-0603-639, by and between Action Oil Company, Inc., as Assignor, and Johnny Cunningham, d/b/a R&J Enterprises, as Assignee; and
- (f) Assignment of Oil and Gas Lease--Operating Rights, Lease No. NOO-C-14-20-0603-639, by and between and Johnny Cunningham, d/b/a R&J Enterprises, as Assignor, and Arthur L. Smalley, III, and Jim Wilson, as Assignees.

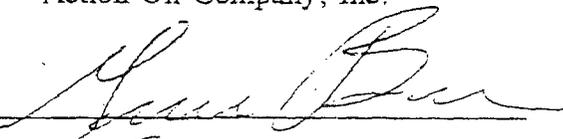
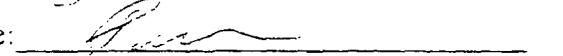
This Assignment, Bill of Sale and Conveyance and the assignment instruments more specifically described in Subparagraphs (a) through (f) above represent the same transaction, and the making and delivery thereof constitute full satisfaction by Assignor of its assignment obligations pursuant to the terms, conditions and provisions set forth in the Purchase and Sale Agreement more specifically identified above.

This Assignment, Bill of Sale and Conveyance shall be binding upon, and shall inure to the benefit of, Assignor and Assignee and their respective heirs, successors, assigns and representatives.

IN WITNESS WHEREOF, this assignment instrument is executed on the respective dates indicated in the acknowledgments set forth below, but shall be effective as between the parties for all purposes as of 7:00 a.m., Mountain Standard Time, on December 31, 1997.

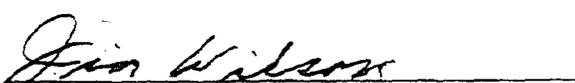
"ASSIGNOR"

Action Oil Company, Inc.

By: 
Title: 

"ASSIGNEE"

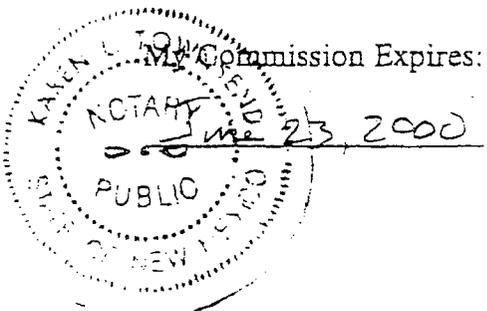

John Cunningham

Arthur L. Smalley, III

Jim Wilson

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 11th day of February, 1998, by Gene Burson, President of Action Oil Company, Inc., a New Mexico corporation, on behalf of said corporation.

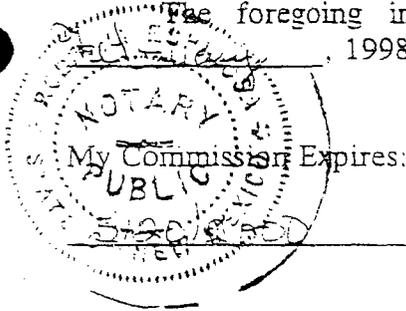
Gene L. Tard
Notary Public



STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 11th day of February, 1998, by John Cunningham.

John L. Espinoza
Notary Public



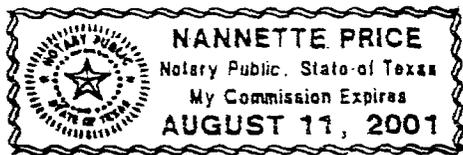
My Commission Expires:

STATE OF Texas)
) ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 17th day of February, 1998, by Arthur L. Smalley, III.

Nannette Price
Notary Public

My Commission Expires:



STATE OF Texas)
) ss.
COUNTY OF Tarrant)

The foregoing instrument was acknowledged before me this 17th day of February, 1998, by Jim Wilson.

Nannette Price
Notary Public

My Commission Expires:
8-17-2001

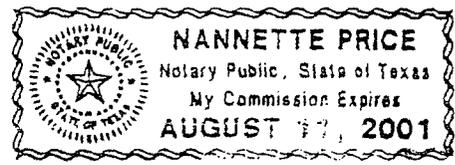


EXHIBIT "A"

Attached to and make a part of Assignment, Bill of Sale and Conveyance by and between Action Oil Company, Inc., as Assignor, and John Cunningham, et al, as Assignee.

Leases and Lands:

1. Ute Mountain Tribal Contract No. 14-20-604-90 dated February 17, 1956, by and between Ute Mountain Tribe and Tennessee Gas Transmission Company, insofar as said lease covers the following described lands:

Township 31 North, Range 15 West, N.M.P.M.

Section 29: All

Section 30: All

Section 31: All

Section 32: All

San Juan County, New Mexico

Containing 3560 acres, more or less

Gross Working Interest: 100.0%

Net Revenue Interest: 87.5%

2. Navajo Tribal Contract No. NOO-C-14-20-0603-905 dated February 2, 1968, by and between Navajo Tribe of Indians and Thomas A. Dugan, insofar as said lease covers the following described lands:

Township 30 North, Range 17 West, N.M.P.M.

Section 5: NE/4, S/2

San Juan County, New Mexico

Containing 470.50 acres, more or less

Gross Working Interest: 100.0%

Net Revenue Interest: 83.3%

3. Navajo Tribal Contract No. NOO-C-14-20-0603-639 dated August 16, 1967, by and between Navajo Tribe of Indians and Thomas A. Dugan, insofar as said lease covers the following described lands:

Township 30 North, Range 17 West, N.M.P.M.

Section 4: All

San Juan County, New Mexico

Containing 620.94 acres, more or less

Gross Working Interest: 100.0%
Net Revenue Interest: 83.3%

Wells:

1. Ute Mtn. B No. 16 - NW/4SE/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
2. Ute Mtn. B No. 8 - SE/4NE/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
3. Ute Mtn. B No. 7 - SE/4SW/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
4. Ute Mtn. B No. 4 - SE/4NW/4
Section 32, Township 31 North, Range 15 West, N.M.P.M.
5. Ute Mtn. B No. 2 - SE/4NW/4
Section 29, Township 31 North, Range 15 West, N.M.P.M.
6. Ute Mtn. B No. 11 - SE/4NW/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
7. Ute Mtn. B No. 10 - SE/4SW/4
Section 29, Township 31 North, Range 15 West, N.M.P.M.
8. Ute Mtn. B No. 1 - NW/4NE/4
Section 29, Township 31 North, Range 15 West, N.M.P.M.
9. Ute Mtn. B No. 17 - NW/4SW/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.

10. Ute Mtn. B No. 19 - SE/4SE/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
11. Ute Mtn. B No. 21 - NW/4NE/4
Section 31, Township 31 North, Range 15 West, N.M.P.M.
12. Clark Kent No. 4 - NE/4SE/4
Section 5, Township 30 North, Range 17 West, N.M.P.M.
13. Clark Kent No. 1 - NE/4SE/4
Section 5, Township 30 North, Range 17 West, N.M.P.M.
14. King Kong No. 1X - NW/4SW/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
15. King Kong No. 3 - SW/4NW/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
16. King Kong No. 5 - NW/4SW/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
17. King Kong No. 8 - SW/4NE/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
18. King Kong No. 9 - SW/4NE/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
19. King Kong No. 14 - SW/4NE/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
20. King Kong No. 19 - NW/4SE/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
21. King Kong No. 15 - SW/4NE/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.
22. King Kong No. 20 - NW/4SW/4
Section 4, Township 30 North, Range 17 West, N.M.P.M.

All wells located in San Juan County, New Mexico