

MEMORANDUM OF TERM ASSIGNMENT AND AGREEMENT

STATE OF NEW MEXICO }

COUNTY OF LEA }

WHEREAS, By Term Assignment and Agreement (hereinafter called "Assignment") dated the 11th day of May, 2004, ConocoPhillips Company, a Delaware corporation, with an operating office at P. O. Box 2197, WL3, Houston, TX 77252-2197 (hereinafter called "COPC"), assigned and transferred to Nearburg Exploration Company, L. L. C., 3300 North "A" Street, Building 2, Suite 120, Midland, TX 79705 (hereinafter called "Assignee") the oil, gas and casinghead gas and all rights pertaining thereto in the oil and gas lease(s) and lands described in Exhibit "A" (hereinafter called "lease acreage").

Assignee shall have the option but not the obligation to drill a well or wells for oil and/or gas located on the lease acreage or acreage pooled therewith on or before May 11, 2006. If Assignee does not commence the actual drilling of such well on or before said date, and/or conduct any additional operations as provided for in the Assignment, then and thereupon the Assignment of the lease acreage shall terminate except as provided for therein.

The Assignment reserves, excepts and retains to COPC an overriding royalty interest equal to Twenty Percent of 8/8ths (20% of 8/8ths), less and except any royalties, overriding royalties, or other burdens on production existing as of the date of the Assignment. COPC's reserved interest applies to all extensions and renewals of the oil and gas lease(s) subject to said Assignment. The Assignment also provides that COPC retains a call on production, a preferential right to purchase and other specific rights designated therein, including but not limited to the right of COPC to file of record a Notice of Termination designating lease acreage which is no longer covered by the Assignment.

WHEREAS, said Assignment is unrecorded and the parties desire an instrument in recordable form as a memorandum of such Assignment;

NOW, THEREFORE, for and in consideration of the premises it is agreed that this Memorandum of Term Assignment and Agreement be executed for notice purposes to be filed in the Lea County, New Mexico records.

The terms and provisions of said unrecorded Assignment are referred to and incorporated herein, and made a part hereof to the same extent as though set out verbatim. Should any conflict arise between the terms of this Memorandum and the Assignment referred to hereinabove, the terms of the Assignment shall control.

EXECUTED this 17<sup>th</sup> day of May, 2004.

CONOCOPHILLIPS COMPANY

By: J. P. Gregory  
J. P. Gregory  
Attorney-in-Fact

ASSIGNEE:

NEARBURG EXPLORATION  
COMPANY, L. L. C.

By: Robert G. Shelton

Name: Robert G. Shelton

Title: Attorney-in-Fact

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 3

STATE OF TEXAS }

COUNTY OF HARRIS }

The foregoing instrument was acknowledged before me the 17<sup>th</sup> day of May, 2004, by J. P. Gregory, Attorney-in-Fact for ConocoPhillips Company, a Delaware Corporation, on behalf of said corporation.

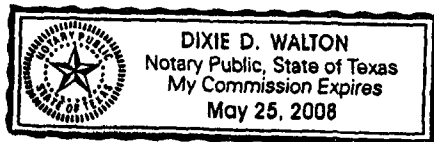


Marianne Mcewin  
NOTARY PUBLIC in and for the State of Texas

STATE OF TEXAS )

COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me the 3<sup>rd</sup> day of <sup>June</sup>~~May~~, 2004, by  
Robert G. Shelton, as Attorney-in-Fact for  
Nearburg Exploration Company, L. L. C., a Texas limited liability corporation, on behalf  
of said corporation.-- company, on behalf of said  
company.



Dixie D. Walton  
NOTARY PUBLIC in and for the State of Texas

**EXHIBIT "A"**

**Attached to and made a part of that Memorandum of Term Assignment and Agreement  
dated the 11th day of May, 2004, between  
ConocoPhillips Company and Nearburg Exploration Company, L. L. C.**

**DESCRIPTION OF LEASE ACREAGE**

**THE HEREINAFTER DESCRIBED OIL AND GAS LEASE(S) IS ASSIGNED ONLY  
INSOFAR AS SAID LEASE(S) COVERS THE LANDS SPECIFICALLY DESCRIBED  
AS FOLLOWS, TO WIT:**

**A. Description of Lease Acreage and Depths Subject to This Agreement**

T-21-S, R-34-E, NMPM

N/2 Section 14, excluding wellbore and all rights to the Corner Pocket  
14 State #1 well, located 660' FNL & 660' FEL, Section 14-21S-34E  
Lea County, New Mexico, being 320 gross and 144 net acres.

Subject to Joint Operating Agreement dated May 11, 2000 between ConocoPhillips Company and  
Southwestern Energy Production Company.

**B. Description of Oil and Gas Lease(s)**

<b>Lease No.:</b>	hPhillips 056682-000/L 08158
<b>Date of Lease:</b>	June 10, 1948
<b>Lessor:</b>	State of New Mexico
<b>Lessee:</b>	Phillips Petroleum Company
<b>Recorded:</b>	Vol. 74, Pg. 97, Lea County, NM Records
<b>Description:</b>	T21S-R34E, Section 14: N/2, among other lands not subject hereto ,Lea County, NM