

ASSIGNMENT AND BILL OF SALE

Phillips Petroleum Company ("Phillips") a Delaware corporation with a regional office in Houston, Texas, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged; does hereby transfer and assign unto Marbob Energy Corporation, P. O. Box 1182, Artesia, New Mexico, hereinafter referred to as "Assignee", all of Assignor's right, title and interest in and to the oil and gas leases described in Exhibit "A", attached hereto and expressly made a part hereof, and the rights, privileges and estates given, created and granted under said leases INSOFAR ONLY as the same cover and affect the oil, gas, and other minerals in and under the lands described in Exhibit "A", from the surface down to and including 5,000 feet under the surface, hereinafter referred to as the "Assigned Leasehold", together with all of Assignor's right, title and interest in and to all contracts or agreements, permits, licenses, easements, surface leases and rights of way relating to operations pertaining specifically to the Assigned Leasehold, and all of Assignor's right, title and interest in and to all fixtures, facilities, leasehold equipment, material or personal property located therein, thereon or appurtenant thereto, in its present condition pertaining specifically to the Assigned Leasehold hereto. All rights under said leases and all equipment, property and wells thereon which are not expressly assigned hereunder are specifically excepted, withheld and reserved.

This Assignment is made and accepted upon the following terms and conditions:

1. This Assignment shall be effective as of the 1st day of November, 1992, at 7:00 A.M. local time, regardless of the date of execution.

2. THE WITHIN ASSIGNMENT IS MADE WITHOUT WARRANTY OF TITLE NEITHER EXPRESS OR IMPLIED, AND IS SUBJECT TO ALL VALIDLY EXISTING ENCUMBRANCES AND AGREEMENTS WHICH MAY AFFECT SAID LEASES, WHICH ARE OF RECORD IN EDDY COUNTY, NEW MEXICO OR HAVE BEEN FURNISHED TO SELLER, INCLUDING, BUT NOT LIMITED TO, THOSE CONTAINED IN EXHIBIT "A" ATTACHED HERETO.

3. This Assignment is made subject to that certain Purchase and Sale Agreement dated October 23, 1992, between Phillips Petroleum Company, as Seller, and Marbob Energy Corporation, as Purchaser. To the extent there is any conflict between this Assignment and the Purchase and Sale Agreement, the Purchase and Sale Agreement shall prevail.

The terms and provisions hereof shall be deemed to be covenants running with the lands, leases, and interests covered hereby and shall extend to, bind and inure to the benefit of the parties hereto, their respective parents, subsidiaries, affiliates, heirs, successors and assigns.

RECEPTION
9212094

MARBOb ENERGY
10 DEC 21 1992
ARTESIA NM 88211

IN WITNESS WHEREOF, this Assignment is executed this 30th day of October,
1992.

PHILLIPS PETROLEUM COMPANY, ASSIGNOR

By: *P. Kent Crawford*
P. Kent Crawford, Attorney-in-Fact

MARBOB ENERGY CORPORATION, ASSIGNEE

By: *John R. Gray*
John R. Gray, President

ACKNOWLEDGEMENT

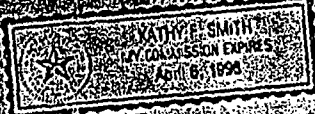
STATE OF TEXAS)

) SS.

COUNTY OF HARRIS)

On this 30th day of October, 1992, before me personally appeared P. Kent Crawford, to me personally known, who, being by me duly sworn, did say that he is the Attorney-in-Fact of Phillips Petroleum Company and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said P. Kent Crawford acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 30th day of October, 1992.



My Commission Expires April 6, 1996

Kathy P. Smith
Notary Public

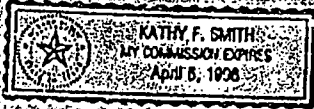
STATE OF TEXAS

COUNTY OF HARRIS

SS

On this 30th day of October, 1992, before me personally appeared John R. Gray to me personally known, who, being by me duly sworn, did say that he is the President of Marbob Energy Corporation, and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said John R. Gray acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 30th day of October, 1992.



Kathy F. Smith
Notary Public

My Commission Expires: April 6, 1996

ks:imarbob:asg

EXHIBIT 'A' (OIL AND GAS LEASES)

STATE OF NEW MEXICO COUNTY OF Eddy

LEASE NUMBER	LESSOR (LEASEE)	DATE OF LEASE RECORDING DATA	DESCRIPTION
702154 000	USA-NM-LC-028784-A Grayburg Oil Company	02/18/30	T 17 S, R 29 E OPERATING RIGHTS Section 19: NE/4, SE/4, S/2, E/2 Section 21: NE/4, NW/4, SW/4, NW/4 N/2 S/2
702155 000	USA-NM-LC-28784-B Grayburg Oil Company	12/01/41	T 17 S, R 29 E OPERATING RIGHTS Section 25: N/2, NW/4 Section 26: E/2 Section 27: S/2, SW/4 Section 28: NE/4, SW/4
702156 000	USA-NM-LC-028793-C Western Production Co.	08/01/43 0008/179	T 17 S, R 30 E OPERATING RIGHTS Section 19: S/2, SE/4 Section 20: Lots 1, 2, 3, E/2 NW/4, E/2 Section 18: NE/4, N/2, SE/4
702159 000	USA-NM-LC-054496 C. J. Dexter	09/02/37	T 17 S, R 29 E OPERATING RIGHTS Section 21: NW/4, SE/4
702160 000	USA-NM-LC-028793-A Grayburg Oil Co.	02/18/30	T 17 S, R 30 E OPERATING RIGHTS Section 18: Lots 1, 2, 3, NE/4, SW/4, E/2 Section 19: NW/4, NE/4, N/2, SE/4



ConocoPhillips Company
505 N. Big Spring Street, Suite 600
P.O. Box 791 (79702)
Midland, TX 79701
phone: 432.682.8241
fax: 432.686.7922

October 27, 2005

Lease File

OCT 31 2005

Mr. Raye Miller
Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227

Re: Amendment

Dear Raye:

Enclosed please find an Amendment to the Purchase and Sale Agreement for the Burch Keely Unit.

Please sign both copies and return a copy for our files.

Thank you and if you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to be 'DR' followed by a stylized flourish.

David Reddout
Manager, Lease Operations
West Texas and New Mexico

DR/jt

Encl.

**Amendment to
October 23, 1992 Purchase and Sale Agreement**

This Amendment is made and entered into by and between ConocoPhillips Company, formerly known as "Phillips Petroleum Company" and hereinafter referred to as "COPC," and Marbob Energy Corporation, hereinafter referred to as "Marbob," effective as of the 1st day of June, 2005 (the "Effective Date").

Whereas, COPC and Marbob are parties to that certain Purchase and Sale Agreement described above (the "Agreement") and desire to amend said Agreement as provided herein.

Now, Therefore, for and in consideration of the terms and covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, COPC and Marbob hereby agree that, effective as of the Effective Date, Article VII of the Agreement is hereby deleted in its entirety in its entirety and replaced the following:

COPC reserves and retains unto itself, and its successors, the preferential right at all times and from time to time at its election, to purchase all or any part of the production which is attributable to the assigned leasehold interest, at the highest average posted field price of a negotiated grouping of major oil companies or qualified purchasers, in the area for crude and/or distillate of like grade and gravity produced in the field.

If at any time either party feels such posted prices do not reflect a "fair market price", COPC and Marbob shall negotiate in good faith a new price based on a spot market formula less transportation. In addition, if Marbob should receive a bona fide offer from a responsible, unaffiliated third party purchaser to purchase the oil production, a copy of this offer as written on letterhead of the third party offer will be furnished to COPC. COPC will then have fifteen business days from receipt thereof to either waive its right to purchase provided for herein or elect to purchase the production on terms equivalent to those offered by such third party to Marbob. Failure of COPC to timely reply to such notice of the third party offer will be deemed to be a temporary waiver of COPC's right to purchase with respect to the production covered by such third party offer. Once waived, the preferential right provided herein shall not be enforceable for the production covered by and term of the contract between Marbob and such third party if Marbob accepts said third party offer.

COPC and Marbob have executed this Amendment on the dates set forth below, but effective as of the Effective Date.



CONOCOPHILLIPS COMPANY

By: David Reddout

David Reddout
Manager/Lease Operations

Date: 10/27/05

MARBOb ENERGY CORPORATION

By: Johnny E. Gray

Print Name: Johnny E. Gray

Title: President

Date: 11/9/05

AGREEMENT

OF

PURCHASE AND SALE

BETWEEN

PHILLIPS PETROLEUM COMPANY, SELLER

AND

MARBOB ENERGY CORPORATION, PURCHASER

DATED THE 23RD DAY OF OCTOBER, 1992

AND MADE EFFECTIVE THE 1ST DAY OF NOVEMBER, 1992

EXHIBITS

Exhibit "A" : Leases and Contracts
Exhibit "B" : Assignment and Bill of Sale
Exhibit "C" : Allocation of Purchase Price

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of the 23rd day of October, 1992, between Phillips Petroleum Company, a Delaware corporation (hereinafter referred to as "Seller"), with a regional office address at P. O. Box 1967, Houston, Texas 77251-1967, and Marbob Energy Corporation, a New Mexico corporation (hereinafter referred to as "Purchaser"), whose address is P. O. Box 1182, Artesia, New Mexico 88210.

WHEREAS, Seller is the owner of certain properties located in Eddy County, New Mexico, specifically described in Exhibit "A", attached hereto and made a part hereof; and

WHEREAS, Seller desires to sell and Purchaser desires to acquire all of Seller's interest in the following:

- all right, title and interest in and to the oil and gas lease(s) described in Exhibit "A" insofar as same covers and pertains to the acreage and depths specifically described in said Exhibit,
- all right, title and interest in and to all permits, licenses, easements, surface leases and rights of way of every kind relating to operations conducted on the acreage and pertaining to the depths described in Exhibit "A",
- all right, title and interest in and to any contracts or agreements, including but not limited to, unit agreements, joint operating agreements, farmout and farmin agreements and pooling agreements and other validly existing agreements, whether of record or not, insofar as same pertain to operations conducted on the acreage as to the depths described in Exhibit "A", and
- all right, title and interest in and to the wells, equipment and personal property (except any vehicles, tools, lease signs, rental equipment, communications, telemetry and remote monitoring equipment, one (1) 640 Lufkin pumping unit, and fourteen (14) Ajax engines) located on and used solely and exclusively for operations on the acreage described in Exhibit "A", as to the depths specified in said exhibit,

hereinafter referred to as the "Assets".

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

I. Purchase Price and Effective Date

(a) The effective date of this purchase and sale shall be November 1, 1992 at 7:00 a.m. local time for all purposes, including apportionment of revenues, expenses and production, hereinafter referred to as the "Effective Date".

(b) The Closing shall take place at a mutually acceptable time and location, on or before October 30, 1992, hereinafter referred to as the "Closing Date".

(c) On or before the Closing Date, Purchaser agrees to pay unto Seller the purchase price of Ten Million Seven Hundred Six Thousand Dollars (\$10,706,000.00), for all of Seller's right, title and interest in the Assets.

(d) Within seven (7) days after execution of this Agreement by Seller, Purchaser will be required to tender by cashier's check or bank wire transfer, ten percent (10%) of the purchase price (hereinafter referred to as "advance payment") to Seller. In the event Purchaser fails to close this transaction, through no fault of Seller, Seller shall retain the advance payment as a liquidated damage and not as a penalty. In the event Seller fails to close this transaction through no fault of Purchaser, Seller shall return the advance payment to Purchaser. Payment for the remaining ninety percent (90%) of the purchase price shall be made on or before Closing by cashier's check or bank wire transfer to Seller. Upon receipt of the total stated amount, Seller shall deliver to Purchaser, an Assignment and Bill of Sale in the form attached hereto as Exhibit "B", to convey the Assets to Purchaser.

II. Seller's Representations

Seller represents and warrants to and with Purchaser that:

(a) Seller is a Corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and Seller is duly qualified to carry on its business in the State in which the Assets lie.

(b) Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement, to sell the Assets on the terms described in this Agreement, and to perform its obligations hereunder.

(c) Seller is aware of no bankruptcy, reorganization, pending commission, or court proceedings involving Seller's use, operation, or ownership of the Assets.

(d) If any mortgage lien, deed of trust lien, or similar lien created by Seller exists with respect to the Assets, Seller will immediately obtain and file of record a release of same.

(e) The assignment shall be made without warranty of title, either express or implied, and shall be subject to all validly existing encumbrances which pertain to the leases in Exhibit "A" and which appear of record in Eddy County, New Mexico or are found in the files of Seller to be provided to Purchaser.

(f) SELLER DOES NOT WARRANT, EITHER EXPRESSLY OR IMPLIEDLY, THE RESERVOIR PERFORMANCE OR THE MERCHANTABILITY, CONDITION OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF ANY OF THE AFORESAID LEASEHOLD EQUIPMENT, MATERIAL OR PERSONAL PROPERTY, ANY SUCH WARRANTY BEING EXPRESSLY DENIED. PURCHASER, BY ACCEPTANCE OF THIS AGREEMENT, HEREBY AGREES TO ACCEPT THE SAME "AS IS" AND "WHERE IS" AND WITHOUT ANY REDUCTION IN THE PURCHASE PRICE.

III. Purchaser's Representations

Purchaser represents and warrants to and with Seller that:

(a) Purchaser is a Corporation duly organized, validly existing, and in good standing under the laws of the State of New Mexico and Purchaser is duly qualified to carry on its business in the State in which the Assets lie.

(b) Purchaser has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement, to purchase the Assets on the terms described in this Agreement, and to perform its obligations hereunder.

(c) Purchaser is now, and hereafter shall continue to be, qualified to own Federal and State oil, gas and mineral leases in all jurisdictions where such leases lie, if such leases are included in the Assets, and the consummation of the transactions contemplated hereby will not cause Purchaser to be disqualified as such an owner or to exceed any acreage limitation imposed by any law, statute, rule, or regulation.

IV. Property Review

(a) Seller shall allow Purchaser access to examine title and such documents as listed in Article IX which relate to the leases described in Exhibit "A" at Seller's office in Odessa, Texas. Seller shall not be obligated to perform any additional title work and any additional abstracts and title opinions will not be made current by Seller. PURCHASER ACKNOWLEDGES THAT SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR AS TO ITS TITLE TO THE ASSETS, AND IN ENTERING INTO AND PERFORMING THIS AGREEMENT, PURCHASER HAS RELIED AND WILL RELY SOLELY UPON ITS INDEPENDENT INVESTIGATION OF AND JUDGMENT WITH RESPECT TO THE ASSETS, THEIR VALUE, AND SELLER'S TITLE THERETO.

(b) For purposes of this Agreement, a ("Title Defect") shall mean a material deficiency in one or more of the following respects only:

(i) Seller's title at the Effective Date (as to one or more of the Assets) is subject to an outstanding mortgage, deed of trust, lien or encumbrance or other adverse claim not reflected on Exhibit "A". Evidence that Seller is currently receiving its full share of proceeds from a pipeline purchaser or third-party operator (not under a 100% or other division order requiring Seller to further distribute proceeds to third parties) for the Seller's interest shown on Exhibit "A" shall be considered a presumption that no defect exists with respect to that interest;

(ii) Seller owns less than the interest shown on Exhibit "A";

(iii) Any federal lease to be conveyed hereunder which is not valid or in good standing with both the Bureau of Land Management and the Minerals Management Service.

(c) Upon discovery of a Title Defect, Purchaser shall immediately notify Seller of the nature of the Title Defect. Notice from Purchaser of a Title Defect shall be supported by written opinion of Purchaser's counsel, a copy of which shall be furnished to Seller. Purchaser may request a reduction in the purchase price if such Title Defect indicates that Seller's interest is less than that shown on Exhibit "A". Any Title Defect which is not disclosed to Seller on or before twelve noon, central time, October 29, 1992, shall conclusively be deemed waived by Purchaser for all purposes.

(d) Upon timely delivery of notice, either by Purchaser of a Title Defect or by Seller of an increase in interest, Purchaser and Seller shall meet and use their best efforts to agree on the validity of the claim and the amount of any requested purchase

price adjustment. If the parties cannot agree on the amount of a purchase price adjustment, such amount shall be determined in accordance with the following guidelines:

(i) If a Title Defect is based upon Purchaser's notice that Seller owns a lesser interest, then the Purchase Price shall be reduced by Seller. Purchaser must accept or reject this Seller adjusted purchase price within twenty-four (24) hours from written notice thereof. If rejected by Purchaser, Seller shall return the advance payment to Purchaser within five (5) business days and this Agreement shall terminate.

(ii) If a Title Defect is an outstanding mortgage, deed of trust, lien or encumbrance or other adverse claim not reflected on Exhibit "A", Seller shall have a period of one hundred eighty (180) days following closing within which to cure such defect. If Seller is unable or for any reason elects not to cure such defect within said period, then Purchaser shall have the option either (1) to receive an adjustment to the purchase price equal to the purchase price (allocated to the specific property as shown on Exhibit "C" affected by such defect), reduced by any revenues received by or paid to Purchaser, adjusted for any direct operating costs incurred by Purchaser, or its successor or assignee, during such one hundred eighty (180) day period and Purchaser shall assign or convey, or cause to be assigned or conveyed such properties to Seller, free and clear of any mortgage, deed of trust, lien or encumbrance or other adverse claim caused or created subsequent to Closing, or (2) to retain such properties notwithstanding such defect. In the event Purchaser should elect option (1), Purchaser shall not be entitled to a reimbursement of direct operating costs in excess of revenues received.

V. Obligations of Seller and Purchaser

(a) Purchaser agrees to reimburse Seller for the value of any and all merchantable stock tank oil and/or condensate above pipeline connections produced and saved as of 7:00 a.m. on the Effective Date hereof, at the prevailing market value, adjusted for grade and gravity. At 7:00 a.m. on the Effective Date hereof, Purchaser and Seller shall make a joint gas sales meter reading and a joint oil and/or condensate sales meter reading. If Purchaser does not participate in taking such readings, Purchaser agrees to accept the readings taken by Seller.

(b) Notwithstanding anything herein, it is specifically understood and agreed that Seller retains and reserves all rights below five thousand feet (5,000') subsurface and the rights with respect to the surface for all purposes permitted by the pertinent leases of which a portion are to be conveyed to Purchaser and the right to drill through the formations being conveyed for the purposes of discovering and producing oil, gas and other minerals from the premises below the depths to be assigned; provided, however, that all operations of Seller shall be conducted in such manner so as not unreasonably to

interfere with or hamper Purchaser in any present or future operations conducted by Purchaser in or upon the lands and leases in which an interest is being conveyed.

(c) Except as provided for in Articles V (d), V (e) and VIII, Seller shall retain all risk and liability of whatsoever nature connected with operations conducted on the Assets prior to the Closing Date and agrees to indemnify, defend and hold Purchaser harmless from all liabilities, penalties, claims, causes of action, demands, lawsuits, and expenses associated with the operations prior to the Closing Date. Purchaser shall assume all risk and liability of whatsoever nature connected with operations conducted on the Assets from and after the Closing Date, and agrees to indemnify, defend and hold Seller harmless from all liabilities, penalties, claims, causes of action, demands, lawsuits, and expenses, associated with the operations from and after the Closing Date.

(d) Purchaser assumes full responsibility for, and agrees to indemnify, hold harmless and defend Seller, its agents, officers, and employees from and against all loss, liability, claims, fines, expenses, costs (including attorney's fees and expenses) and causes of action caused by or arising out of any federal, state or local laws, rules, orders and regulations applicable to any waste material or hazardous substances on or included with the Assets or the presence, disposal, release or threatened release of all waste material or hazardous substance from the Assets into the atmosphere or into or upon land or any water course or body of water, including ground water, whether or not attributable to Seller's activities or the activities of Seller's officers, employees or agents, or to the activities of third parties (regardless of whether or not Seller was or is aware of such activities) prior to, during or after the period of Seller's ownership of the Assets. This Indemnification and Assumption shall apply to liability for voluntary environmental response actions undertaken pursuant either to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or to any other federal, state or local law.

(e) Purchaser agrees to comply with all laws and governmental regulations with respect to abandonment of wells and/or abandonment of the leasehold property including, where applicable, the plugging of wells, the compliance with law or rules regarding inactive or unplugged wells, including bonding requirements, and restoration as specified in the leases described in Exhibit "A". Purchaser agrees to protect, defend, indemnify and hold Seller, its officers, agents and employees free and harmless from and against any and all costs, expenses, claims, demands and causes of action of every kind and character arising out of, incident to, or in connection with the abandonment of wells and/or abandonment of and proper disposition of any leasehold property, including, without limitation, the leases, any structures, materials, land, wells, casing, leasehold equipment, and other personal property, plugging requirements or exceptions thereto, including bonding requirements, regardless of whether the liability therefor is based upon some alleged act or omission of Seller, or of the Purchaser, or of some other party.

(f) All accounts payable and other costs and expenses with respect to the Seller's interest in the Assets which relate to the period prior to the Effective Date shall be the obligation of and be paid by Seller, and those which relate to the period commencing with the Effective Date shall be the obligation of and be paid by Purchaser.

(g) All prepaid utility charges applicable to periods following the Effective Date relating to the Assets shall be prorated as of the Effective Date.

(h) Seller shall transfer to Purchaser possession, responsibility and liability for the management, administration, and disbursement of suspended funds attributable to the interests of third parties and accrued by Seller, for any reason, pursuant to Seller's disbursement of proceeds from the sale of production from the property or the leases and/or units of which the Assets are a part, to the extent such funds are attributable to production sold prior to the Effective Date (collectively the "Suspended Funds"). The Suspended Funds shall be transferred to Purchaser, subject to accounting adjustments, by wire transfer, in immediately available funds in U.S. dollars for the account of Purchaser, and Purchaser agrees to indemnify, defend and hold Seller harmless from any claim relating to Purchaser's disposition and management of said funds.

Seller shall provide Purchaser a listing of all Suspended Funds, setting forth the name (if known) of each interest owner, the decimal of interest suspended, the amount suspended for each interest owner, the reason the funds are in suspense and the date the interest was first suspended. Seller shall deliver to Purchaser, as soon after Closing as practicable, a copy of Seller's records and files that apply to or are related to the Suspended Funds transferred or assigned to Purchaser.

If, in the administration or disposition of any of the Suspended Funds, Purchaser from time to time determines that Seller suspended excess funds, Purchaser shall promptly refund to Seller such excess amount.

(i) If monies are received by either party hereto which, under the terms of this Section, belong to the other party, the same shall immediately be paid over to the proper party. If an invoice or other evidence of an obligation is received which is applicable to periods both prior to and after the Effective Date and is thus, under the terms of the preceding paragraphs, partially the obligation of Seller and partially the obligation of Purchaser, then the parties shall consult with each other and each shall promptly pay its portion of such obligation to the obligee.

(j) Seller will pay all ad valorem, property taxes and other taxes assessed on, based on, or attributable to production that occurred prior to the Effective Date. Purchaser will pay all taxes assessed on, based on, or attributable to production that occurred after the Effective Date. It is agreed that whichever party receives said tax

statements shall pay such taxes prior to delinquency and the other party hereto agrees to reimburse the paying party its pro rata share thereof promptly upon receipt of an invoice accompanied by evidence of such payment. It is further agreed that should Seller pay the taxes, then Purchaser also shall reimburse Seller for any portion of the aforementioned taxes that are assessable against other working interest and non-working interest owners and Purchaser shall recoup from them accordingly. Purchaser shall pay all applicable state, county, parish, municipality or government sales or use taxes on the leasehold, equipment, material or personal property located thereon for periods subsequent to the Effective Date.

(k) Seller and Purchaser shall each bear their own costs and expenses, including, but not limited to, attorney's fees incurred in connection with the transactions contemplated in this Agreement.

(l) The sale of the Assets shall be subject to, and Purchaser shall assume, pay for and perform the duties, liabilities, and obligations relating to the Assets, including but not limited to, all applicable and validly recorded and unrecorded agreements, contracts, and instruments (including but not limited to royalties, overriding royalty interests, production payments, net profits interest, carried working interest or similar burdens) which appear of record in Eddy County, New Mexico or are contained in the files to be furnished to Purchaser.

VI. Gas Imbalances

Purchaser hereby assumes any liability and obligation for gas imbalances (whether over or under) attributable to the interest acquired hereunder as of the Effective Date of this Agreement. In assuming this liability, Purchaser shall not be obligated to make any additional payment over the agreed purchase price to Seller and Seller shall not be obligated to refund any of said price to reimburse Purchaser for any over-balances existing at the time of sale.

VII. Call on Production

Seller reserves and retains unto itself, its successors and assigns, the right at all times and from time to time at its election, either singularly or plurally, to purchase all or any part of the production which is attributable to the leasehold interest assigned, at the highest applicable posted field price of any major oil company, including Navajo Refining Company and other similarly qualified purchasers, in the area for crude and/or distillate of like grade and gravity produced in the field.

VIII. Environmental Conditions

The Assets which have been identified herein and are the subject of this Agreement have been utilized by Seller for the purpose of exploration, development, and production of oil and gas. Information, to the best of Seller's knowledge, regarding any substantial quantity of crude oil and produced water, which may have been spilled or disposed of on-site and the locations thereof, including pit closures, burial, land farming, land spreading, and underground injection will be made available to Purchaser prior to Closing. Purchaser acknowledges that there may have been spills of these materials in the past onto the Assets described herein. In addition, some oil field production equipment may contain asbestos and/or Naturally Occurring Radioactive Material (hereinafter referred to as "NORM"). In this regard, Purchaser expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms, and that said wells, material and equipment located on the property described herein may contain NORM and that NORM-containing material may be buried or otherwise disposed of on the Assets. Purchaser also expressly understands that special procedures may be required for the removal and disposal of asbestos and NORM from the equipment and Assets where it may be found and Purchaser agrees to assume all liability for such asbestos and NORM and for use of appropriate procedures and activities required to handle and dispose of same.

Promptly after execution of this Agreement by both parties, Purchaser shall have the right at its own risk and expense, to conduct or have conducted an environmental assessment of the Assets.

Seller will provide Purchaser (or its contractor) as may be requested with reasonable access to the Assets operated by Seller to conduct the environmental assessment. Purchaser shall release and indemnify and hold harmless Seller, its agents, officers and employees against any liability or damage to persons or property arising out of such environmental assessment. Such indemnity shall also apply regardless of whether the liability or damage arises in whole or in part from the negligence of Seller. Purchaser shall advise Seller of any material adverse environmental conditions of the Assets which it finds unacceptable and provide evidence thereof on or before Closing Date. For the purpose of this paragraph, such conditions shall be "material" only if they will cost in excess of two percent (2%) of the total purchase price to cure or remedy, but in no event less than One Thousand Five Hundred Dollars (\$1,500.00), and were not disclosed on or before the execution of this Agreement. Within thirty (30) days after receipt of such notice, Seller may either (1) remedy or agree to remedy such material adverse environmental conditions, (2) agree with Purchaser on an adjustment to the purchase price which adjustment shall reflect Purchaser's cost to remedy such conditions or (3) remove the asset or assets from the Assets being conveyed and adjust the purchase price accordingly. PURCHASER UNDERSTANDS AND AGREES THAT THIS SALE

IS MADE ON AN "AS IS, WHERE IS" BASIS AND PURCHASER RELEASES SELLER FROM ANY LIABILITY WITH RESPECT THERETO WHETHER OR NOT CAUSED BY OR ATTRIBUTABLE TO SELLER'S NEGLIGENCE EXCEPT AS OTHERWISE EXPRESSLY AGREED UPON IN WRITING BY SELLER AS PROVIDED HEREIN.

Purchaser shall dispose of or discharge any waste from the Assets (including but not limited to produced water, drilling fluids and other associated wastes) in accordance with applicable local, state and federal regulations. To the extent that the Assets are not sold in fee to Purchaser, Purchaser shall keep records of the types, amounts and location of wastes which are disposed onsite and offsite. When and if any lease, an interest in which has been assigned hereunder, is terminated, Purchaser shall take at its sole expense whatever remedial action on the Assets is necessary to meet any local, state or federal requirements directed at protecting human health and the environment in effect at that time.

Purchaser, its successors and assigns, hereby agree to indemnify and defend Seller, its agents, officers, employees, successors and assigns, from and against all claims, demands and causes of action, including any civil fines, penalties, costs of clean-up or plugging liabilities for any and all wells, brought by any and all persons, including (without limitation) Purchaser's and Seller's employees, agents, or representatives and also including (without limitation) any private citizens, persons, organizations, and any agency, branch or representative of federal, state or local government, on account of any personal injury or death or damage, destruction, or loss of property, contamination of natural resources (including soil, surface water or ground water) resulting from or arising out of any liability caused by or connected with the presence, disposal or release of any material of any kind, including, without limitation, asbestos and/or NORM, in, under, or on the Assets at the time the Assets are assigned to Purchaser, or thereafter caused by acts of Purchaser, its employees, representatives, or agents with regard to its use of the described Assets subsequent to the assignment of the described assets pursuant to this Agreement without regard to whether such liability, injury, death, damage, destruction, loss or contamination is caused in whole or in part by any claimed negligence, active or passive, on the part of Seller or other indemnified party. This indemnification shall be in addition to any other indemnity provisions contained in this Agreement, and it is expressly understood and agreed that any terms of this Article shall control over any conflicting terms or provisions contained in this Agreement.

IX. Post-Closing Obligations

(a) Seller shall deliver to Purchaser, at Purchaser's expense, as soon after Closing as practicable, copies of records, documents, division order files, title files, abstracts, supplemental abstracts and certificates of title, title opinions, surveys,

agreements, contracts, and other similar materials relating to operation or ownership of the Assets including, but not limited to, the existing agreements identified in Exhibit A (except papers protected by the attorney-client privilege or attorney work product, or proprietary data, which includes but is not limited to interpretive geological and/or geophysical information and economic analyses, and any document or data which is protected by third party confidentiality provisions); provided, however, that Seller shall not be liable for failure to deliver any such material and Seller does not warrant the completeness or accuracy of any information contained therein. Seller will utilize its best efforts to provide Purchaser with a list of excepted items prior to Closing. For a period of seven (7) years after the Effective Date, Seller shall have reasonable access to such materials for purpose of audit or where, in the opinion of Seller's counsel, access is required by law or necessary to its defense or prosecution of legal actions.

(b) Purchaser shall keep true and correct books and records pertaining to the Assets for at least three (3) years from the Effective Date of sale for purposes of determining compliance with the terms and conditions of the joint operating agreements in place as of the Effective Date. Seller shall have the right to audit said books and records during the three year period.

(c) Purchaser shall be solely responsible for all filings and recording of documents and other costs related to the Assets and for all fees connected therewith, and Purchaser shall advise Seller of the pertinent recording data. Seller shall not be responsible for any loss to Purchaser because of Purchaser's failure to file or record documents promptly.

(d) Purchaser shall use its best efforts after the Closing to obtain approval of assignments of Federal and State leases which require consent to assignment as quickly as possible and at its own cost. Until such approvals are obtained, Seller shall continue to hold record title and/or operating rights to such leases as nominee for Purchaser subject to terms of this Agreement, during which time Purchaser shall indemnify and hold Seller harmless from any and all claims, suits, obligations and liabilities of any kind, or character relating to such leases. Seller agrees to cooperate fully with Purchaser and to assist Purchaser in obtaining the consent of the Bureau of Land Management or Minerals Management Service or other State or Federal organization as to any and all assignments of working interests and operating rights contained in the Assets covering Federal, State or privately owned lands.

(e) Promptly after the Closing Date hereof (but not later than ninety (90) days hereafter), Seller shall furnish Purchaser with an accounting showing in reasonable detail the prorating of any amounts described in this Agreement. If pursuant to such accounting either party shall owe any obligation to the other, then the party owing the obligation shall promptly pay to the other party the amount of such obligation.

X. Final Conditions

(a) Seller and Purchaser, singularly and plurally, warrant and agree that each shall use its best efforts to take or cause to be taken all such actions as may be necessary to consummate and make effective the transaction contemplated by this Agreement, including but not limited to obtaining any required governmental or other approvals or consents, and to assure that it will not be under any material, corporate, legal or contractual restriction that would prohibit or delay the timely consummation of such transaction.

(b) All of the terms, covenants, and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto; their respective parents, subsidiaries, affiliates, successors and assigns.

(c) This Agreement is for the benefit of Seller and Purchaser only and not for the benefit of third parties.

(d) Except to the extent set forth in Article VII, neither Seller nor Purchaser may assign any rights or delegate any duties established pursuant to this Agreement without the prior written consent of the other party.

(e) Neither party shall make press release or other public announcements, concerning this transaction, without the prior written approval of the other party and agreement to the form of the announcement, except as may be required by applicable laws or rules and regulation of any governmental agency or stock exchange. Both parties shall keep the purchase price and the terms of this Agreement confidential at all times, except disclosure may be made with prior written consent of the other party or as may be required by applicable laws, rules or regulations.

(f) All notices, consents, requests, instructions, approvals and other communications provided for herein shall be deemed to be validly given, made or served, if in writing and delivered personally or sent by courier service, telefax, telex or certified mail to the address listed below:

Phillips Petroleum Company
P. O. Box 1967
Houston, Texas 77251-1967
Attention: M. B. Smith
Phone: (713) 669-3610
Telefax: (713) 669-7453

Marbob Energy Corporation
P. O. Box 1182
Artesia, New Mexico 88210
Attention: John R. Gray
Phone: (505) 748-3303
Telefax: (505) 746-2523

(g) This agreement is specifically conditioned upon Seller receiving all waivers, consents, approvals, permits and authorizations and actions of third parties, including lessors' consents and waivers of preferential purchase rights, which by federal, state or local law, rule or regulation, agreement or by their inherent nature are required to be obtained to complete the purchase and sale contemplated herein. Seller shall notify all holders of such preferential rights and rights to consent to or approve assignment of the property of its intention to sell the portion of the property affected thereby, and of such term and conditions of this Agreement to which the holders of such rights are entitled. Seller shall promptly notify Purchaser if any preferential rights are exercised, any consents or approvals denied, or if the requisite period has elapsed without said rights having been exercised or consents or approvals having been received. Further, at Closing, the purchase price shall be adjusted downward by the value allocated on Exhibit "C" to any property affected by the exercise of a preferential right or refusal to consent.

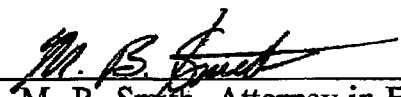
(h) This Agreement constitutes the entire Agreement between Seller and Purchaser with respect to the transactions contemplated herein, and supersedes all prior oral or written agreements, commitments, understandings, or information otherwise furnished by Seller to Purchaser with respect to such matters. No amendment shall be binding unless in writing and signed by representatives of both parties.

(i) Seller agrees to indemnify and hold Purchaser harmless from and against any and all liabilities, obligations, claims, including claims for interest, losses, damages, penalties, assessments, actions, judgments, suits, costs, expenses or disbursements (collectively "Claims") of any kind or nature whatsoever that may be imposed on or incurred by or asserted against Purchaser by the Mineral Management Service or successor agencies as relates to, as a result of or arising from the payment or nonpayment of royalty, for production of oil, gas, casinghead gas or liquid hydrocarbons therefrom or produced therewith, from the Assets attached hereto, for those periods prior to November 1, 1992 at 7:00 A.M. Seller shall have the right to defend any claims, employing its attorneys therefore. Buyer shall also be entitled to employ its own attorneys to participate in defense of any such claims. Buyer shall, if not furnished with reasonable indemnity, have the right to compromise and adjust all such Claims. The covenants and conditions of this section shall at all times be construed to be personal covenants in favor of Buyer and its affiliates and shall not run with the lands; however such covenant of indemnity shall not be merged into the Assignments to be executed pursuant to this Agreement.

IN WITNESS WHEREOF, the Seller and Purchaser, acting through their authorized representatives, do hereby execute and deliver this Agreement as of the date first written above.

SELLER:

PHILLIPS PETROLEUM COMPANY

By:  ^{L.V.}
M. B. Smith, Attorney-in-Fact _{RS}

PURCHASER:

MARBOB ENERGY CORPORATION


By: 
John R. Gray, President

EXHIBIT "A"

ATTACHED HERETO AND MADE A PART OF THAT CERTAIN PURCHASE AND SALE AGREEMENT DATED THE 23RD DAY OF OCTOBER, 1992 BY AND BETWEEN PHILLIPS PETROLEUM COMPANY, AS SELLER, AND MARBOB ENERGY CORPORATION AS PURCHASER.

Properties:

LCN	PROPERTY	LOCATION	WI/NRI
600176	Burch AA	Lot 4; SE/4 SW/4; S/2 SE/4 Sec. 18 Lots 1, 2, 3, E/2 NW/4; NE/4; N/2 SE/4; NE/4 SW/4 Sec. 19 T17S R30E	1.0/.875
600177	Burch BB	NE/4; SW/4 Sec. 23 T17S R29E; NW/4 Sec. 30 T17S R30E; W/2 Sec. 18 T17S R30E; S/2 SW/4 Sec. 19 T17S R30E	1.0/.875
600178	Burch C	S/2 SE/4 Sec. 19; Lots 3, 4, E/2 SW/4; E/2 Sec. 30 NE/4; N/2 SE/4 Sec. 18 T17S R30E; NW/4; SE/4 Sec. 23 T17S R29E	1.0/.825
600179	Dexter Fed	SE/4 NW/4 Sec. 24 T17S R29E	1.0/.875
600182	Keely A	NE/4 SE/4; S/2 S/2 Sec. 13; NE/4; N/2 NW/4; SW/4 NW/4; N/2 S/2 Sec. 24 T17S R29E	1.0/.8743358
600183	Keely B	E/2 Sec. 26 T17S R29E; S/2 SW/4 Sc. 24 T17S R29E; N/2 NW/4 Sec. 25 T17S R29E	1.0/.875
600184	Keely C	SE/4 SE/4 Sec. 12; N/2; N/2 SW/4; NW/4 SE/4 Sec. 13; S/2 SE/4 Sec. 24; E/2; SW/4; S/2 NW/4 Sec. 25; W/2 Sec. 26 T17S R29E	1.0/.825
600194	Burch A Gas Fed	Lot 4; SE/4 SW/4; S/2 SE/4 Sec. 18 Lots 1, 2, 3, E/2 NW/4; NE/4; N/2 SE/4; NE/4 SW/4 Sec. 19 T17S R30E	1.0/.875
060129	Loco Hills CB	Tank Battery	1.0/-0-
060147	Burch Keely WF	Water Injection Facility	1.0/-0-

Oil and Gas Leases:

See Exhibit "A-1" attached hereto.

EXHIBIT "A-1" OIL AND GAS

STATE OF NEW MEXICO, COUNTY

LEASE NUMBER		LESSOR LESSEE	DATE OF RECORDING
702154	000	USA-NM-LC-028784-A GRAYBURG OIL COMPANY	02/18/
702155	000	USA-NM-LC-28784-B GRAYBURG OIL CO.	12/01.
702155	000	USA-NM-LC-28784-B GRAYBURG OIL CO.	12/0
702156	000	USA-NM-LC-028793-C WESTERN PRODUCTION CO.	08/0 0008

EXHIBIT "A-1"(OIL AND G/

STATE OF NEW MEXICO , COUNTY

LEASE NUMBER	LESSOR LESSEE	DATE OF RECORDIN
702159 000	USA-NM-LC-054406 C. J. DEXTER	09/0
702160 000	USA-NM-LC-028793-A GRAYBURG OIL CO.	02/1
702161 000	USA-NM-LC-028784 WESTERN PROD. CO., INC.	09/ 22

EXHIBIT "A-1"(OIL AND GA

STATE OF NEW MEXICO , COUNTY

LEASE NUMBER	LESSOR LESSEE	DATE OF I RECORDIN

EXHIBIT A

ALL LEASES ARE FROM THE SURFACE TO 5,000 FEET SUBSURFACE
UNLESS OTHERWISE DESCRIBED.

<u>Federal Lease Number</u>	<u>Lease Name</u>	<u>Description</u>	<u>Operating Rights</u>	<u>Net Interest</u>
✓ NM LC 028793C	Burch C	T17S, R29E Sec. 23: NW/4, SE/4 T17S R30E Sec. 18: NE/4, N/2 SE/4 Sec. 19: S/2 SE/4 Sec. 30: Lots 3, 4, E/2 SW/4, E/2	100%	.825
✓ NM LC 028784	Keely C	T17S R29E Sec. 12: SE/4 SE/4 Sec. 13: N/2, N/2 SW/4, NW/4 SE/4 Sec. 24: S/2 SE/4 Sec. 25: E/2, SW/4, S/2 NW/4 Sec. 26: W/2	100%	.825
✓ NM LC 028784-B	Burch BB	T17S R29E Sec. 23: NE/4, SW/4 T17S R30E Sec. 18: Lots 1, 2, 3, E/2 NW/4 NE/4 SW/4 Sec. 19: S/2 SW/4 Sec. 30: Lots 1, 2 E/2 NW/4	100%	.875

EXHIBIT A, Page two

<u>Federal Lease Number</u>	<u>Lease Name</u>	<u>Description</u>	<u>Operating Rights</u>	<u>Net Interest</u>
✓ NM LC 028784-A	Keely A	T17S R29E Sec. 13: NE/4 SE/4, S/2 S/2 Sec. 24: NE/4, N/2 NW/4, SW/4 NW/4, N/2 S/2	100%	.8743358
✓ NM LC 028784-B	Keely B	T17S R29E Sec. 24: S/2 SW/4 Sec. 25: N/2 NW/4 Sec. 26: E/2	100%	.875
✓ NM LC 028793-A	Burch AA	T17S R30E Sec. 18: Lot 4, SE/4 SW/4, S/2 SE/4 as to Operating Rights Only from 0 to 5,000'	100%	.875
	Burch A Gas Fed	Sec. 19: Lots 1, 2, 3, E/2 NW/4, NE/4 SW/4, NE/4, N/2 SE/4		
✓ NM LC 054406	Dexter Federal	T17S R29E Sec. 24: SE/4 NW/4	100%	.875

To: Jim Haas

EXHIBIT "B"

ATTACHED HERETO AND MADE A PART OF THAT CERTAIN PURCHASE AND SALE AGREEMENT DATED THE 23RD DAY OF OCTOBER, 1992 BY AND BETWEEN PHILLIPS PETROLEUM COMPANY, AS SELLER, AND MARBOB ENERGY CORPORATION, AS PURCHASER.

ASSIGNMENT AND BILL OF SALE

Phillips Petroleum Company ("Phillips") a Delaware corporation with a regional office in Houston, Texas, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby transfer and assign unto Marbob Energy Corporation, P. O. Box 1182, Artesia, New Mexico, hereinafter referred to as "Assignee", all of Assignor's right, title and interest in and to the oil and gas leases described in Exhibit "A", attached hereto and expressly made a part hereof, and the rights, privileges and estates given, created and granted under said leases INsofar ONLY as the same cover and affect the oil, gas, and other minerals in and under the lands described in Exhibit "A", from the surface down to and including 5,000 feet under the surface, hereinafter referred to as the "Assigned Leasehold", together with all of Assignor's right, title and interest in and to all contracts or agreements, permits, licenses, easements, surface leases and rights of way relating to operations pertaining specifically to the Assigned Leasehold, and all of Assignor's right, title and interest in and to all fixtures, facilities, leasehold equipment, material or personal property located therein, thereon or appurtenant thereto, in its present condition pertaining specifically to the Assigned Leasehold hereto. All rights under said leases and all equipment, property and wells thereon which are not expressly assigned hereunder are specifically excepted, withheld and reserved.

This Assignment is made and accepted upon the following terms and conditions:

1. This Assignment shall be effective as of the 1st day of November, 1992, at 7:00 A.M., local time, regardless of the date of execution.

2. THE WITHIN ASSIGNMENT IS MADE WITHOUT WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED, AND IS SUBJECT TO ALL VALIDLY EXISTING ENCUMBRANCES AND AGREEMENTS WHICH MAY AFFECT SAID LEASES, WHICH ARE OF RECORD IN EDDY COUNTY, NEW MEXICO OR HAVE BEEN FURNISHED TO SELLER, INCLUDING, BUT NOT LIMITED TO, THOSE CONTAINED IN EXHIBIT "A" ATTACHED HERETO.

3. This Assignment is made subject to that certain Purchase and Sale Agreement dated October 23, 1992, between Phillips Petroleum Company, as Seller, and Marbob Energy Corporation, as Purchaser. To the extent there is any conflict between this Assignment and the Purchase and Sale Agreement, the Purchase and Sale Agreement shall prevail.

The terms and provisions hereof shall be deemed to be covenants running with the lands, leases, and interests covered hereby and shall extend to, bind and inure to the benefit of the parties hereto, their respective parents, subsidiaries, affiliates, heirs, successors and assigns.

IN WITNESS WHEREOF, this Assignment is executed this ____ day of _____, 1992.

PHILLIPS PETROLEUM COMPANY, ASSIGNOR

By: _____
M. B. Smith, Attorney-in-Fact

MARBOB ENERGY CORPORATION, ASSIGNEE

By: _____
John R. Gray, President

ACKNOWLEDGEMENT

STATE OF TEXAS)
) SS.
COUNTY OF HARRIS)

On this _____ day of _____, 1992, before me personally appeared M. B. Smith, to me personally known, who, being by me duly sworn, did say that he is the Attorney-in-Fact of Phillips Petroleum Company and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said M. B. Smith, acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this _____ day of _____, 1992.

Notary Public

My Commission Expires: _____

STATE OF _____)
) SS.
COUNTY OF _____)

On this _____ day of _____, 1992, before me personally appeared John R. Gray to me personally known, who, being by me duly sworn, did say that he is the President of Marbob Energy Corporation, and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said John R. Gray acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this _____ day of _____, 1992.

Notary Public

My Commission Expires: _____

ks:\marbob.sa

Exhibit "A" to be Attached

EXHIBIT "C"

Allocation of Purchase Price

ATTACHED HERETO AND MADE A PART OF THAT CERTAIN PURCHASE AND SALE AGREEMENT DATED THE 23RD DAY OF OCTOBER, 1992 BY AND BETWEEN PHILLIPS PETROLEUM COMPANY, AS SELLER, AND MARBOB ENERGY CORPORATION, AS PURCHASER.

LCN	Property Name	County	State	Allocated Price
600176	Burch-AA Fed.	Eddy	New Mexico	\$1,002,000
600177	Burch-BB Fed.	Eddy	New Mexico	1,002,000
600178	Burch-C Fed.	Eddy	New Mexico	1,470,000
600179	Dexter Fed.	Eddy	New Mexico	1,002,000
600182	Keely-A Fed.	Eddy	New Mexico	1,002,000
600183	Keely-B Fed.	Eddy	New Mexico	1,384,000
600184	Keely-C Fed.	Eddy	New Mexico	1,002,000
600194	Burch-A Gas Fed.	Eddy	New Mexico	95,000
060129	Loco Hills CB	Eddy	New Mexico	1,470,000
060147	Burch Keely WF	Eddy	New Mexico	1,277,000
TOTAL				\$10,706,000